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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

August 30, 2017

Board of Directors
Housing Authority of the City of Hammond
1402 173rd St.
Hammond, IN 46324

We have reviewed the audit report prepared by Velma Butler & Company, Ltd., Independent Public Accountant, for the period January 1, 2015 to December 31, 2015. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Auditor's Report, 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, 2015 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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

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

**INDEPENDENT AUDITOR'S REPORT,
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED
DECEMBER 31, 2015,
INCLUDING SINGLE AUDIT REPORTS
AND SUMMARY OF AUDITOR'S RESULTS**

THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, which include the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Hammond, Indiana (the Authority), as of and for the year ended December 31, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

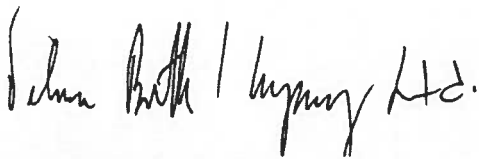
relation directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2016 on our consideration of the Housing Authority of the City of Hammond, Indiana (the Authority)'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Summarized Comparative Information

We previously audited the Authority's 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements dated May 22, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read "Velma Butler / Company Ltd.", is written over the printed name of the auditor.

Velma Butler & Company, Ltd.
Chicago, Illinois

August 24, 2016

MANAGEMENT DISCUSSION AND ANALYSIS

**MANAGEMENT'S DISCUSSION HOUSING AUTHORITY of the CITY
of HAMMOND, INDIANA**

1402 173rd SREET

HAMMOND, IN 46324

PHONE (219) 989-3265 COLUMBIA CENTER FAX (219) 989-3275

TDD (219) 989-3273

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

MANAGEMENT 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, 2015.

We are pleased to submit the financial statements of the Housing Authority of the City of Hammond, Indiana for the year ended December 31, 2015. 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.

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.

FINANCIAL HIGHLIGHTS

- Net position at December 31, 2015, was \$24.1 million and represented a decrease of \$1.6 million from \$25.7 million at December 31, 2014.
- Revenue increased by \$1.1 million for fiscal year 2015. Assets were disposed of in prior fiscal year 2014, which resulted in a net loss in revenue in 2014.
- Operating expenses, excluding depreciation, for fiscal year 2015 increased by \$557 thousand to \$7.9 million or by 7.5% from December 31, 2014.

- Total assets decreased by \$1.2 million or by 4.2% from \$27.9 million to \$26.7 million at December 31, 2015.
- Net capital assets were \$5 million at December 31, 2015, representing a decrease of \$357 thousand from the December 31, 2014, balance of \$5.3 million. The decrease was mainly due to depreciation.
- Total liabilities increased by \$439 thousand to \$2.6 million at December 31, 2015.

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

USING THIS REPORT

The financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating, or otherwise changing in a dramatic manner.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information detailing how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event given rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation).

The *Statement of Cash Flows* provides information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and related financing activities.

These financial statements report on the functions of the Authority that are principally supported by intergovernmental revenues. The Authority's function is to provide decent, safe, and sanitary housing to low-income and special needs populations, which is primarily funded with grant revenue received from the U.S. Department of Housing and Urban Development (HUD).

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's basic financial statements are presented as a single enterprise fund whose operations include the low rent, the housing choice voucher, resident opportunities for self sufficiency and a component unit as follows.

Fund Financial Statements are groupings of accounts used to maintain control over resources segregated for specific activities or objectives. The Authority, like other state, local, or quasi-

governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Authority's *Proprietary Fund* is comprised of multiple enterprise funds with "business-type" activities intended to recover all or a portion of their costs through fees and charges for services. Since the Authority maintains its activities in enterprise funds, its Proprietary Fund financial statements provide information about the activities of the Authority as a whole.

Low-Income Public Housing-Under the Conventional Public Housing Program, the Authority rents units it owns to low-income families. The Conventional Public Housing Program is operated under an Annual Contribution Contract (ACC) with HUD, and HUD provides an operating subsidy to enable the Authority to provide housing at a rent that is based upon 30% of a family's adjusted gross household income.

Capital Fund Program (CFP)- The Conventional Public Housing Program also includes the CFP, which is the primary funding source for physical management improvements to the Authority's properties. CFP funding is based on a formula allocation that takes into consideration the size and age of the authorities housing stock.

Section 8 Housing Assistance-Vouchers - The Housing Choice Voucher is the federal government's programs for assisting low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. The programs are administered locally by public housing authorities (PHAs). The PHAs receive funds from HUD to administer the programs. A housing subsidy is paid to the landlord directly by the PHA on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program.

Resident Opportunities and Self Sufficiency - The purpose of the program is to provide funding to hire and maintain service coordinators to assess the needs of residents and to coordinate available resources.

Components Unit - The Component unit is a not-for-profit organization formed by the Authority for the purpose of assisting in the development of projects which provide housing to a mixture of low-income and market rate families. The low-income family's rents are subsidized by HUD.

Additionally, the Authority is required to undergo an annual single audit in conformity with the provisions of the Single Audit Amendments and the United States Office of Management and Budget's (OMB) Audits of States, Local Governments, and Non-Profit Organizations as provided in Uniform Guidance. 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 findings and questioned costs.

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.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position

Net position represents the difference between total assets and total liabilities. As shown in Table 1, the Authority's total net position at December 31, 2015 decreased by \$1.6 million or 6.3% to approximately \$24.1 million as shown below:

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

	2015	2014	Change	Total Percentage Change
Current Assets	\$ 6,156	\$ 7,514	\$ (1,358)	-18.1 %
Non-current Assets				
Capital Assets	4,987	5,344	(357)	-6.7
Other non-current Assets	15,566	15,035	531	3.5 %
Total	<u>20,553</u>	<u>20,379</u>	174	0.9
Total Assets	<u>\$ 26,709</u>	<u>\$ 27,893</u>	<u>\$ (1,184)</u>	-4.2 %
Current Liabilities	\$ 1,538	\$ 1,191	\$ 347	29.1 %
Non Current Liabilities	<u>1,094</u>	<u>1,002</u>	<u>92</u>	9.2 %
Total Liabilities	<u>2,632</u>	<u>2,193</u>	<u>439</u>	20.0 %
Invested in Capital Assets, Net	4,987	5,344	(357)	-6.7 %
Unrestricted	18,945	19,918	(973)	-4.9 %
Restricted	<u>145</u>	<u>438</u>	<u>(293)</u>	-66.9 %
Total Net Position	<u>24,077</u>	<u>25,700</u>	<u>(1,623)</u>	-6.3 %
Total Liab. and Net Position	<u>\$ 26,709</u>	<u>\$ 27,893</u>	<u>\$ (1,184)</u>	-4.2 %

Current assets decreased by 18.1%, or approximately \$1.4 million, mainly due to a decrease in cash. Non-current assets increased by \$174 thousand or .09% from \$20.4 million to \$20.6 million.

Capital Assets

	<u>December 31, 2014</u>	<u>Additions and</u> <u>Deletions</u>	<u>December 31, 2015</u>
Land and Structures	\$ 13,219,385	\$	\$ 13,219,385
Equipment and Furniture	557,905	322,638	880,543
Construction in Progress	321,822	102,929	424,751
Less Accum. Depreciation	<u>(8,755,041)</u>	<u>(783,008)</u>	<u>(9,538,049)</u>
Total Fixed Assets	\$ 5,344,071	\$ (357,441)	\$ 4,986,630

As indicated above, capital assets decreased by \$(357) thousand from \$5.3 million to \$5 million. Construction in progress (CIP) at year-end was \$424,751. The main decrease in capital assets was due to depreciation.

Notes and Accrued Interest Receivable

The Authority has several notes and accrued interest receivable, totaling \$20.6 million, outstanding as a result of funds loaned to its mixed income developers. These are long-term notes that will mature in 2035, 2051 and 2065. Interest payments are accumulated and are not required to be paid until the developments generate positive cash flow per HUD regulations.

Total liabilities increased by \$439 thousand or 20% to \$2.6 million.

Change in Net Position

The change in net position is a measure of the health of the organization. The change in net position at December 31, 2015, was an increase of approximately \$591 thousand. Change in net position increased due to a significant loss in disposal of assets that took place in the prior year.

Revenues

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 \$1.1 million or 19.5%.

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

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>Total Percent Change</u>
Revenues	\$ 6,828	\$ 5,716	\$ 1,112	19.5%
Operating Expenses	7,953	7,396	557	7.5%
Depreciation	498	535	(37)	-6.9%
Total Operating Expenses	8,451	7,931	520	6.6%
Change in Net Position	(1,623)	(2,215)	592	-26.7%
Beginning Net Position	25,700	28,071	(2,371)	-8.4%
Prior Period Adjustments	-	(156)	156	
Ending Net Position	\$ 24,077	\$ 25,700	\$ (1,623)	-6.3%

Expenses

As shown in Table 3, the Authority's total expenses increased by \$520 thousand or 6.6% to approximately \$8.5 million in fiscal year 2015.

Table 3
Change in Hammond Housing Authority's Expenses
(in thousand dollars)

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>Total Percent Change</u>
Administrative Expenses	\$ 2,445	\$ 1,690	\$ 755	44.7%
Tenant Services	-	44	(44)	-100.0%
Utilities Expenses	152	223	(71)	-31.8%
Ordinary Maintenance	534	547	(13)	-2.4%
Protective Services	120	135	(15)	-11.1%
General Expenses	138	151	(13)	-8.6%
Extra Ordinary Maint	3	67	(64)	-95.5%
Housing Assistance Payments	4,561	4,539	22	0.5%
Total Before Depreciation	7,953	7,396	557	7.5%
Depreciation Expense	498	535	(37)	-6.9%
Total Authority Expenses	\$ 8,451	\$ 7,931	\$ 520	6.6%

BUDGETARY HIGHLIGHTS

The executive director submits proposed budgets for revenues and expenses for the HUD approved programs to the governing board. The governing board approves and adopts the budget. Operating monies are determined by rents and operating subsidies provided by HUD, as established by Congress. The funding is dependent on the availability of federal funds.

Capital project budgets are approved and are adopted for five years by the Board of Commissioners and HUD based on Federal funding. They are then annualized to strengthen monitoring and completion benchmarks. Budgeted and actual costs are compared to the five year plan and are monitored by the Authority and HUD. Line item variances are resolved and approved by HUD.

MAJOR INITIATIVES

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, families, senior citizens, 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 the year.

Homestead Enterprise Housing, Inc. formally the Hammond Elderly Housing, Inc., (HEH), an instrumentality of the Housing Authority was awarded low Income Tax Credits in 2015. With this award the final Phase of Revitalization Master Plan for Columbia Center is complete. This phase is named "Flagstone Village." This development marks the third Mixed Income Development for the Hammond Housing Authority. The development merged Federal Capital Funds and the State Tax credits. The development has low income tax credit units, Section 9 (federally subsidized units) and P.B.V. (project based vouchers). Construction started October 2015, expected to be completed and occupied by January 2017.

At Turner Park, 76 townhouse units that are homes to families were upgraded to on-demand hot water tanks. This energy efficient system will save money to the residents and the housing authority reducing the cost of the water that is kept hot when not in use.

The Rental Assistance Department (Housing Choice Voucher Program), staff recaptured \$13,381 through fraud recovery efforts, half of which the department was able to keep for operating expenses. The Public Housing Assessment System rating for 2015 was 83, standard performer.

ECONOMIC FACTORS

The Authority is primarily dependent upon HUD for its funding of operations; therefore, operating revenues are affected more by the Federal budget than by local economic conditions.

CONTACTING THE HOUSING AUTHORITY

The financial report is designed to provide a general overview of the Authority's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Maria Carmen Paniagua Executive Director, Housing Authority of the City of Hammond, Indiana, 1402 173rd Street, Hammond, Indiana 46324, or call 219-989-3265 X303.

Sincerely,



Maria Carmen Paniagua
Executive Director

Executive Director

BASIC FINANCIAL STATEMENTS

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATEMENT OF NET POSITION - ENTERPRISE FUNDS
DECEMBER 31, 2015 (WITH COMPARATIVE TOTALS FOR 2014)**

EXHIBIT A

	LOW RENT	SECTION 8	ROSS	COMPONENT UNIT	2015 TOTAL	2014 TOTAL
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 1,057,417	\$ 145,362	\$	\$ 469,915	\$ 1,672,694	\$ 3,367,515
Investments	2,221,381				2,221,381	2,211,222
Accounts Receivable, net	375,493	123,354		4,594	503,441	181,589
Developer Fee Receivable				1,623,350	1,623,350	1,623,350
Prepaid and Other Assets	66,626	8,475		14,905	90,006	82,725
Material Inventories	44,785				44,785	47,968
Total Current Assets	3,765,702	277,191	-	2,112,764	6,155,657	7,514,369
NON CURRENT ASSETS						
Land, Structures and Equip., net	4,981,776	2,759		2,095	4,986,630	5,344,071
Notes Receivable - Long Term	14,088,327			384,687	14,473,014	14,032,715
Accrued Interest Receivable	1,007,206			86,854	1,094,060	1,001,968
Total Non-Current Assets	20,077,309	2,759	-	473,636	20,553,704	20,378,754
TOTAL ASSETS	\$ 23,843,011	\$ 279,950	\$ -	\$ 2,586,400	\$ 26,709,361	\$ 27,893,123
LIABILITIES AND NET POSITION						
CURRENT LIABILITIES						
Accounts Payable	\$ 418,705	\$ 50,114	\$	\$	\$ 468,819	\$ 84,829
Accrued Liabilities	59,624				59,624	41,718
Developer Fees Payable				949,227	949,227	949,227
Trust Deposits - Current		60,674			60,674	114,966
Total Current Liabilities	478,329	110,788	-	949,227	1,538,344	1,190,740
NONCURRENT LIABILITIES						
Deferred Inflows of Resources	1,007,206			86,854	1,094,060	1,001,968
Total Noncurrent Liabilities	1,007,206	-	-	86,854	1,094,060	1,001,968
Total Liabilities	1,485,535	110,788	-	1,036,081	2,632,404	2,192,708
NET POSITION						
Unrestricted Net Position	17,375,700	21,048	-	1,548,224	18,944,972	19,917,861
Restricted Net Position		145,355			145,355	438,483
Investment in Capital Assets	4,981,776	2,759	-	2,095	4,986,630	5,344,071
Total Net Position	22,357,476	169,162	-	1,550,319	24,076,957	25,700,415
TOTAL LIAB. AND NET POSITION	\$ 23,843,011	\$ 279,950	\$ -	\$ 2,586,400	\$ 26,709,361	\$ 27,893,123

See Accompanying Notes to Financial Statements

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015 (WITH COMPARATIVE TOTALS FOR 2014) EXHIBIT B

	LOW RENT	SECTION 8	ROSS	COMPONENT UNIT	2015 TOTAL	2014 TOTAL
OPERATING REVENUES						
Tenant Charges	\$ 440,363	\$	\$	\$	\$ 440,363	\$ 427,087
HUD Operating Grants	1,037,313	4,500,534	58,922		5,596,769	6,157,372
Other Income	579,966	86,628		30,569	697,163	891,825
TOTAL REVENUES	2,057,642	4,587,162	58,922	30,569	6,734,295	7,476,284
OPERATING EXPENSES						
Administrative Expenses	1,877,272	371,081	58,922	137,291	2,444,566	1,689,900
Tenant Services	359				359	43,650
Utilities Expenses	151,847				151,847	223,343
Ordinary Maintenance	533,050	1,114			534,164	546,952
Protective Services	119,418	252			119,670	135,412
General Expenses	109,058	23,922		5,335	138,315	150,490
Extra Ordinary Maintenance	3,465				3,465	67,147
Housing Assistance Payments		4,561,350			4,561,350	4,539,176
Depreciation Expense	486,537	7,002		4,189	497,728	535,160
TOTAL OPERATING EXPENSES	3,281,006	4,964,721	58,922	146,815	8,451,464	7,931,230
OPERATING INCOME (LOSS)	(1,223,364)	(377,559)	-	(116,246)	(1,717,169)	(454,946)
NON-OPERATING REVENUES AND (EXPENSES)						
Interest Income	15,493			121	15,614	4,301
HUD Capital Grants	78,097				78,097	51,315
(Loss) on Disposal of Assets					-	(1,815,649)
Interfund Revenue	237,458				237,458	289,261
Interfund Expenses	(168,926)	(68,532)			(237,458)	(289,261)
TOTAL NON-OPERATING	162,122	(68,532)	-	121	93,711	(1,760,033)
CHANGES IN NET POSITION	(1,061,242)	(446,091)	-	(116,125)	(1,623,458)	(2,214,979)
PRIOR PERIOD ADJUSTMENT	(72,775)	72,775			-	(156,463)
BEGINNING NET POSITION	23,491,493	542,478	-	1,666,444	25,700,415	28,071,857
ENDING NET POSITION	\$ 22,357,476	\$ 169,162	\$ -	\$ 1,550,319	\$ 24,076,957	\$ 25,700,415

See Accompanying Notes to Financial Statements

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015 (WITH COMPARATIVE TOTALS FOR 2014) EXHIBIT C

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Tenants and Others	\$ 6,598,777	\$ 7,557,657
Payments to Employees	(1,645,414)	(1,177,374)
Payments to Vendors and Suppliers	(6,082,493)	(6,581,291)
Net Cash Provided by/(Used for) Operating Activities	(1,129,130)	(201,008)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase In Investments	(10,159)	104,909
Interest on Investments	10,315	4,180
Net Cash Provided by/(Used for) Investing Activities	156	109,089
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital Crants	78,097	51,315
Investment in Capital Assets	(78,097)	(41,949)
Gain/(Loss) on Disposal of Assets		(1,815,649)
(Increase) in Notes & Accrued Interest Receivable	(565,847)	1,671,967
Net Cash Provided by/(Used for) Financing Activities	(565,847)	(134,316)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,694,821)	(226,235)
CASH AND CASH EQUIVALENTS AT JAN. 1, 2015	3,367,515	3,593,750
CASH AND CASH EQUIVALENTS AT DEC. 31, 2015	\$ <u>1,672,694</u>	\$ <u>3,367,515</u>
Reconciliation to Statement of Net Assets		
Cash and Cash Equivalent	\$ 1,404,400	2,712,947
Restricted Cash	268,294	654,568
Total	\$ <u>1,672,694</u>	\$ <u>3,367,515</u>
Reconciliation of Operating Loss to Net Cash		
Used by Operating Activities		
Operating Loss	\$ (1,627,603)	\$ (454,946)
Adjustments To Reconcile:		
Depreciation	497,727	535,160
Changes in Assets and Liabilities		
(Increase)/Decrease in Accounts Receivable	(307,172)	89,344
(Increase)/Decrease in Prepaid and Other Assets	7,624	36,316
(Increase)/Decrease in Material Inventories	3,183	3,766
Increase/(Decrease) in Accounts Payable	369,309	(451,359)
Increase/(Decrease) in Accrued Liabilities	(17,906)	32,308
Increase/(Decrease) in Trust Deposits	(54,292)	8,403
Net Cash Provided by/(Used for) Operating Activities	\$ <u>(1,129,130)</u>	\$ <u>(201,008)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
See Accompanying Notes to Financial Statements		
None		

NOTES TO FINANCIAL STATEMENT

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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:

Public and Indian Housing Program- The Public and Indian 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 Public and Indian 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.

Resident Opportunities and Self Sufficiency - The purpose of the program is to provide funding to hire and maintain service coordinators to assess the needs of residents and to coordinate available resources.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

A. Reporting Entity

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

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

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

Component Unit

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

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

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

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

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

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 statement of net position.

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 multiple *Enterprise Funds*. *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.

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

Investment in capital assets, net of related debt - The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted - The component of net position that reports the amount of revenue from a federal or state award for service programs in excess of expenditures. These funds are restricted for the use of the related federal or state program.

Unrestricted - The difference between the assets and liabilities that is not reported in the net assets invested in capital, net of related debt or net assets restricted for federal and state programs.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Cash and Cash Equivalents - For purposes of the statement of cash flows, cash and cash equivalents are considered to be all cash, highly liquid investments with maturities of three months or less at the time of acquisition.

Investments - The Authority has estimated the fair values of its financial investments using available market information and other valuation methodologies in accordance with GASB Statement No. 72.

GASB Statement No. 72 defines a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Significant unobservable inputs that reflect an entity's own assumptions about the assumption that market participants would use in pricing an asset or liability.

The balance of cash and cash equivalents, receivables, other current asset, and other liabilities approximated fair value due to the short maturity of these instruments or assumptions made by management.

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.

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, 2015, 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.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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 are as follows:

- 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.

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 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.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Note 3 - Cash and Cash Equivalents

Cash and cash equivalents totaled \$1,672,694 at December 31, 2015, consisting of amounts maintained in commercial checking accounts and are readily available. HUD regulations require housing 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, \$210,175 is restricted, as follows:

Unrestricted Cash	\$ 1,462,519
Restricted	
FSS Escrows	60,674
Future HAP Payment	149,501
Total Restricted Cash	<u>210,175</u>
Total Cash	<u>\$ 1,672,694</u>

Note 4 - Investments

At December 31, 2015, investments totaled \$2,221,381, of which \$58,911 was restricted for security deposits as follows:

Unrestricted	\$ 2,162,470
Restricted for Security Deposits	<u>58,911</u>
Total	<u>\$ 2,221,381</u>

All are classified as a Level 1 marketable security. The Authority's investments in marketable securities are stated at net fair market value at year-end. Investments are fully collateralized by government security and held in the pledging financial institution's trust department in the Authority's name.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Note 5 - Accounts Receivable

At December 31, 2015, accounts receivable totaled \$503,441, and consisted of the following:

HUD	\$	4,968
Tenants, net allowance		9,835
Accounts Receivable - Section 8		72,775
Accounts Receivable - Other		130,496
Accounts Receivable - Interfund		285,367
Total	\$	<u>503,441</u>

The Authority reviews the accounts receivable periodically. In fiscal year 2015, the Authority wrote off \$1,476 in tenant receivables, which were deemed uncollectible.

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, 2015 totaled \$1,623,350 as follows:

Golden Manor	\$	289,335
Saxony Townhome		313,393
American Heartland Homes One		935,278
American Heartland Homes Two		85,344
Total	\$	<u>1,623,350</u>

Note 7 - Prepaid and Other Assets

Prepaid and other assets totaled \$75,101, at December 31, 2015, and consisted of prepaid insurances and other assets.

Note 8 - Material Inventories

Material inventories totaled \$44,785 at December 31, 2015. Material inventories are stated at the lower of cost or market. Material inventories are reviewed periodically for obsolescence and are adjusted accordingly.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Note 9 - Notes Receivable

Notes receivable totaled \$14,473,014, at December 31, 2015 as follows:

	<u>Note Receivable</u>	<u>Accrued Interest</u>
AHH1 Money Mortgage	\$ 846,000	\$ 221,223
AHH1 Notes Receivable	6,765,215	521,914
AHH2 Notes Receivable	5,334,485	264,069
AHH1 Loan from HEH	384,687	86,854
Flagstone Note Receivable	1,142,627	
Total	<u>\$ 14,473,014</u>	<u>\$ 1,094,060</u>

The Authority entered into a purchase money mortgage with American Heartland Homes One, LLC (AHH1) on June 29, 2010 to loan the company \$846,000 at a rate of 4.3 percent. The mortgage requires base payments to commence on the first day of the calendar month following completion of the project and on the first day of each calendar month thereafter, in an amount equal to \$4,187. The mortgage also calls for additional annual payments to commence on May 1, 2012, in an amount equal to available net cash flow of the company. No payments have been made. All unpaid principal and interest are due on December 31, 2035. As of December 31, 2015, the mortgage receivable was \$846,000 with accrued interest of \$221,223.

The Authority entered into a mixed finance agreement with American Heartland Homes One, LLC (AHH1) on June 29, 2010 to loan the company an amount not to exceed \$11,500,000 at a rate of 1.25 percent. The loan matures on December 31, 2065. The agreement calls for payments to commence on May 1, 2012, in an amount equal to available net cash flow of the company. All unpaid principal and interest are due at maturity. AHH1 repaid \$4,734,785 in September 2012. At December 31, 2015, \$6,765,215 was outstanding. Accrued interest totaled \$521,914.

The Authority entered into a purchase money mortgage with American Heartland homes Two, LLC (AHH2) on August 18, 2011 to loan the company \$3,313,941 at a rate of 3.0 percent. The mortgage requires annual payments equal to the amount of available net cash flow of the company. All unpaid principal and accrued interest are due on December 31, 2051. In 2012 the Authority made additional loans to AHH2. As of December 31, 2015, the mortgage receivable was \$5,334,485 with accrued interest of \$264,069.

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 \$750,000 at a rate of 1.25 percent. The loan matures on December 31, 2065. The agreement calls for annual payments to commence on May 1, 2010, in the amount equal to 50 percent of available net cash flow. All unpaid principal and accrued interest are due at maturity. AHH1 owed HEH \$384,687, at December 2015. Accrued interest totaled \$86,854.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

The Authority also began another mixed income project called Flagstone. Tax credits are being sought. As of December 31, 2015, the Authority had loaned the project \$1,142,627.

Note 10 - Land, Structures and Equipment

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

	<u>December 31, 2014</u>	<u>Additions and Deletions</u>	<u>December 31, 2015</u>
Land and Structures	\$ 13,219,385	\$	\$ 13,219,385
Equipment and Furniture	557,905	322,638	880,543
Construction in Progress	321,822	102,929	424,751
Less Accum. Depreciation	(8,755,041)	(783,008)	(9,538,049)
Total Fixed Assets	\$ 5,344,071	\$ (357,441)	\$ 4,986,630

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

Fixed assets are recorded at cost. Depreciation is recorded over the useful lives of the assets using the straight-line method of depreciation. Depreciation expenses and adjustments for 2015 totaled \$783,008, and construction in Progress totaled \$424,751 at December 31, 2015.

Note 11 - Accounts Payable

Accounts payable totaled \$468,819, at December 31, 2015, which consisted of the following:

Accounts Payable - Vendors	\$ 52,558
Tenant Security Deposits	58,119
Accounts Payable - COCC	72,775
Accounts Payable - Interfund	285,367
Total	\$ 468,819

Note 12 - Accrued Liabilities

Accrued liabilities totaled \$59,624 at December 31, 2015, and represented amounts due for accrued salaries and payroll taxes.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015**

Note 13 - Developer Fees Payable

HEH enter into development agreements for the management of the construction related to the Golden Manor, Saxony, American Heartland Homes One and American Heartland Homes Two projects. In accordance with the agreements, the management companies earn fees ranging from 45 percent to 75 percent of the development fee earned by HEH. At December 31, 2015, the development company fees payable totaled \$949,227

Note 14 - Trust Deposits

Trust deposits at December 31, 2015, totaled \$60,674, and consisted of amounts due under the family self-sufficiency program.

Note 15 - Deferred Inflows of Resources

Deferred inflows of resources which consisted of deferred interest income at December 31, 2015 totaled \$1,094,060 and consisted of accrued interest due from various notes receivables, refer to note 9.

Note 16 - Employee Benefit Plans

The Authority participates in a qualified defined contribution retirement plan administered by Lincoln Financial Group call the Housing Authority of the City of Hammond Retirement Plan (the Plan). 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 Board of Directors is responsible for any establishing and amending plan provisions or contribution requirements.

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, 2015, totaled \$124,960. The minimum required contribution was 9 percent. The Authority made all the required contributions to the Plan.

Plan assets at December 31, 2015, totaled \$1,745,024, as indicated below.

Beginning Balance	\$	1,704,790
Additions		109,469
Withdrawals		(69,235)
Ending Balance	\$	<u>1,745,024</u>

The Authority's total payroll expense was \$1,168,269 for the year ended December 31, 2015.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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 program.

Note 19 - Prior Period Adjustment

HUD's Quality Assurance Division conducted an audit of the Authority's Housing Voucher Program (Section 8) of activity and net position from 2010 to 2015. The audit resulted in a \$72,775 increase to the Section 8 program's net position. Thus, COCC owed the Section 8 program this amount.

Note 20 - Subsequent Events

Management has performed an analysis of activities and transactions subsequent to December 31, 2015, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended December 31, 2015. Management has performed their analysis through August 24, 2016, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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>				
<u>Low Rent Housing Program</u>				
Public and Indian Housing	C - 918	14.850	\$ 825,420	\$ 3,418,333
Total Low Rent Housing Programs			825,420	3,418,333
<u>Housing Assistance Payment Program</u>				
Section 8 - Housing Choice Voucher Program	C - 2027	14.871	4,500,534	5,033,253
Total Housing Assistance Program Payments			4,500,534	5,033,253
Total U S Department of Housing and Urban Development (Major Programs)			5,325,954	8,451,586
Non-Major Programs				
U S Department of Housing and Urban Development				
Public Housing Capital Fund	C - 918	14.872	297,140	297,140
Resident Opportunity and Self Sufficiency	C - 918	14.87	58,922	58,922
Total U.S. Department of Housing and Urban Development (Non-Major Programs)			356,062	356,062
Total All Programs - U S Department of Housing and Urban Development			\$ 5,682,016	\$ 8,807,648

See Accompanying Notes to the Schedule of Expenditure of Federal Awards

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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 (the Authority), and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the Authority's consolidated financial statements.

The schedule summarizes the federal funds expended by the Authority under programs of the federal government during the year ended December 31, 2015. The awards are classified into major and non-major program categories in accordance with the provisions of the Office of Management and Budget (OMB) Uniform Guidance. The schedule of expenditures of federal awards displays the Authority's expenditures charged to federal programs for the year ended December 31, 2015, and should be read in conjunction with the Authority's consolidated financial statements.

Note 2 - Sources of Funding

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

Note 3 - Sub-recipients

There were no sub-recipients for the year ended December 31, 2015.

Note 4 - Loans Outstanding

There were no federal loans outstanding for the year ended December 31, 2015.

Note 5 - Non-Cash Assistance

The Authority provided no non-cash assistance for the year ended December 31, 2015.

Note 6 - Insurance

The Authority had no federal insurance for the year ended December 31, 2015.

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

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2015

	Project Total	14.871 Housing Choice Vouchers	14.896 PIH Family Self-Sufficiency Program	6.1 Component Unit - Discretely Presented	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted				\$469,915	\$1,057,417	\$1,527,332		\$1,527,332
112 Cash - Restricted - Modernization and Development								
113 Cash - Other Restricted		\$145,362				\$145,362		\$145,362
114 Cash - Tenant Security Deposits								
115 Cash - Restricted for Payment of Current Liabilities								
100 Total Cash	\$0	\$145,362	\$0	\$469,915	\$1,057,417	\$1,672,694	\$0	\$1,672,694
121 Accounts Receivable - PHA Projects								
122 Accounts Receivable - HUD Other Projects	\$0	\$0			\$24,263	\$24,263		\$24,263
124 Accounts Receivable - Other Government		\$72,775				\$72,775	-\$72,775	\$0
125 Accounts Receivable - Miscellaneous	\$2,764	\$50,579		\$1,623,350	\$57,859	\$1,734,552		\$1,734,552
126 Accounts Receivable - Tenants	\$5,293			\$4,594		\$9,887		\$9,887
126.1 Allowance for Doubtful Accounts - Tenants	-\$53			\$0		-\$53		-\$53
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current								
128 Fraud Recovery								
128.1 Allowance for Doubtful Accounts - Fraud								
129 Accrued Interest Receivable								
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$8,004	\$123,354	\$0	\$1,627,944	\$82,122	\$1,841,424	-\$72,775	\$1,768,649
131 Investments - Unrestricted	\$2,030,540				\$132,722	\$2,163,262		\$2,163,262
132 Investments - Restricted								
135 Investments - Restricted for Payment of Current Liability	\$58,119					\$58,119		\$58,119
142 Prepaid Expenses and Other Assets	\$63,295	\$8,475		\$14,905	\$3,331	\$90,006		\$90,006
143 Inventories	\$44,785					\$44,785		\$44,785
143.1 Allowance for Obsolete Inventories	\$0					\$0		\$0
144 Inter Program Due From	\$0				\$285,367	\$285,367	-\$285,367	\$0
145 Assets Held for Sale								
150 Total Current Assets	\$2,204,743	\$277,191	\$0	\$2,112,764	\$1,560,959	\$6,155,657	-\$358,142	\$5,797,515
161 Land	\$294,336	\$17,555			\$80,072	\$391,963		\$391,963
162 Buildings	\$951,802				\$186,948	\$1,138,750		\$1,138,750
163 Furniture, Equipment & Machinery - Dwellings		\$157,993			\$12,744	\$170,737		\$170,737
164 Furniture, Equipment & Machinery - Administration	\$296,894	\$43,301		\$20,950	\$246,632	\$607,777		\$607,777
165 Leasehold Improvements	\$11,755,723				\$34,980	\$11,790,703		\$11,790,703
166 Accumulated Depreciation	-\$9,021,516	-\$216,090		-\$18,855	-\$281,589	-\$9,538,050		-\$9,538,050
167 Construction in Progress	\$424,750					\$424,750		\$424,750
168 Infrastructure								
160 Total Capital Assets, Net of Accumulated Depreciation	\$4,701,989	\$2,759	\$0	\$2,095	\$279,787	\$4,986,630	\$0	\$4,986,630
171 Notes, Loans and Mortgages Receivable - Non-Current	\$0			\$384,687	\$14,088,327	\$14,473,014		\$14,473,014

172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due	\$0				\$0	\$0		\$0
173 Grants Receivable - Non Current								
174 Other Assets	\$0			\$86,854	\$1,007,206	\$1,094,060		\$1,094,060
176 Investments in Joint Ventures								
180 Total Non-Current Assets	\$4,701,989	\$2,759	\$0	\$473,636	\$15,375,320	\$20,553,704	\$0	\$20,553,704
200 Deferred Outflow of Resources								
290 Total Assets and Deferred Outflow of Resources	\$6,906,732	\$279,950	\$0	\$2,586,400	\$16,936,279	\$26,709,361	-\$358,142	\$26,351,219
311 Bank Overdraft								
312 Accounts Payable <= 90 Days	\$6,597				\$17,454	\$24,451		\$24,451
313 Accounts Payable >90 Days Past Due								
321 Accrued Wage/Payroll Taxes Payable					\$43,976	\$43,976		\$43,976
322 Accrued Compensated Absences - Current Portion								
324 Accrued Contingency Liability								
325 Accrued Interest Payable								
331 Accounts Payable - HUD PHA Programs		\$60,674				\$60,674		\$60,674
332 Account Payable - PHA Projects	\$25,200					\$25,200		\$25,200
333 Accounts Payable - Other Government								
341 Tenant Security Deposits	\$58,119					\$58,119		\$58,119
342 Unearned Revenue	\$0				\$0	\$0		\$0
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue								
344 Current Portion of Long-term Debt - Operating Borrowings								
345 Other Current Liabilities	\$2,278			\$949,227	\$72,775	\$1,024,280	-\$72,775	\$951,505
346 Accrued Liabilities - Other	\$16,277					\$16,277		\$16,277
347 Inter Program - Due To	\$235,253	\$50,114				\$285,367	-\$285,367	\$0
348 Loan Liability - Current								
310 Total Current Liabilities	\$344,124	\$110,788	\$0	\$949,227	\$134,205	\$1,538,344	-\$358,142	\$1,180,202
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue								
352 Long-term Debt, Net of Current - Operating Borrowings								
353 Non-current Liabilities - Other				\$86,854	\$1,007,206	\$1,094,060		\$1,094,060
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	\$0	\$0	\$0	\$86,854	\$1,007,206	\$1,094,060	\$0	\$1,094,060
300 Total Liabilities	\$344,124	\$110,788	\$0	\$1,036,081	\$1,141,411	\$2,632,404	-\$358,142	\$2,274,262
400 Deferred Inflow of Resources								
508.4 Net Investment in Capital Assets	\$4,701,989	\$2,759		\$2,095	\$279,787	\$4,986,630		\$4,986,630
511.4 Restricted Net Position		\$145,355				\$145,355		\$145,355
512.4 Unrestricted Net Position	\$1,860,619	\$21,048	\$0	\$1,548,224	\$15,515,081	\$18,944,972		\$18,944,972
513 Total Equity - Net Assets / Position	\$6,562,608	\$169,162	\$0	\$1,550,319	\$15,794,868	\$24,076,957	\$0	\$24,076,957
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$6,906,732	\$279,950	\$0	\$2,586,400	\$16,936,279	\$26,709,361	-\$358,142	\$26,351,219

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

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2015

	Project Total	14,871 Housing Choice Vouchers	14,896 PIH Family Self-Sufficiency Program	6.1 Component Unit - Discretely Presented	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$434,922					\$434,922		\$434,922
70400 Tenant Revenue - Other	\$5,441					\$5,441		\$5,441
70500 Total Tenant Revenue	\$440,363	\$0	\$0	\$0	\$0	\$440,363	\$0	\$440,363
70600 HUD PHA Operating Grants	\$1,036,882	\$4,500,534	\$58,922		\$431	\$5,596,769		\$5,596,769
70610 Capital Grants	\$78,097					\$78,097		\$78,097
70710 Management Fee					\$163,981	\$163,981	-\$163,981	\$0
70720 Asset Management Fee					\$24,800	\$24,800	-\$24,800	\$0
70730 Book Keeping Fee					\$48,677	\$48,677	-\$48,677	\$0
70740 Front Line Service Fee								
70750 Other Fees					\$398,544	\$398,544		\$398,544
70700 Total Fee Revenue					\$636,002	\$636,002	-\$237,458	\$398,544
70800 Other Government Grants								
71100 Investment Income - Unrestricted	\$5,299			\$121	\$10,194	\$15,614		\$15,614
71200 Mortgage Interest Income								
71300 Proceeds from Disposition of Assets Held for Sale								
71310 Cost of Sale of Assets								
71400 Fraud Recovery		\$14,001				\$14,001		\$14,001
71500 Other Revenue		\$72,627		\$30,569	\$181,422	\$284,618		\$284,618
71600 Gain or Loss on Sale of Capital Assets								
72000 Investment Income - Restricted								
70000 Total Revenue	\$1,560,641	\$4,587,162	\$58,922	\$30,690	\$828,049	\$7,065,464	-\$237,458	\$6,828,006
91100 Administrative Salaries	\$127,433	\$174,153	\$58,922		\$238,349	\$598,857		\$598,857
91200 Auditing Fees	\$15,750	\$7,875			\$7,875	\$31,500		\$31,500
91300 Management Fee	\$128,126	\$37,855				\$163,981	-\$163,981	\$0
91310 Book-keeping Fee	\$18,000	\$30,677				\$48,677	-\$48,677	\$0
91400 Advertising and Marketing	\$53	\$36			\$14	\$103		\$103
91500 Employee Benefit contributions - Administrative	\$114,489	\$94,169			\$262,407	\$471,065		\$471,065
91600 Office Expenses	\$19,238	\$16,166			\$23,250	\$58,654		\$58,654
91700 Legal Expense	\$9,627				\$12,558	\$22,185		\$22,185
91800 Travel	\$137	\$609			\$3,076	\$3,822		\$3,822
91810 Allocated Overhead								
91900 Other	\$248,969	\$78,073		\$137,291	\$794,047	\$1,258,380		\$1,258,380
91000 Total Operating - Administrative	\$679,922	\$439,613	\$58,922	\$137,291	\$1,341,576	\$2,657,224	-\$212,658	\$2,444,566
92000 Asset Management Fee	\$24,800					\$24,800	-\$24,800	\$0
92100 Tenant Services - Salaries	\$359					\$359		\$359
92200 Relocation Costs								
92300 Employee Benefit Contributions - Tenant Services								
92400 Tenant Services - Other								

92500 Total Tenant Services	\$359	\$0	\$0	\$0	\$0	\$359	\$0	\$359
93100 Water	\$16,084				\$1,107	\$17,191		\$17,191
93200 Electricity	\$87,518				\$10,904	\$98,422		\$98,422
93300 Gas	\$32,047				\$4,187	\$36,234		\$36,234
93400 Fuel								
93500 Labor								
93600 Sewer								
93700 Employee Benefit Contributions - Utilities								
93800 Other Utilities Expense								
93000 Total Utilities	\$135,649	\$0	\$0	\$0	\$16,198	\$151,847	\$0	\$151,847
94100 Ordinary Maintenance and Operations - Labor	\$175,472				\$117,342	\$292,814		\$292,814
94200 Ordinary Maintenance and Operations - Materials and Other	\$45,186	\$1,114			\$2,180	\$49,480		\$49,480
94300 Ordinary Maintenance and Operations Contracts	\$163,192				\$28,678	\$191,870		\$191,870
94500 Employee Benefit Contributions - Ordinary Maintenance								
94000 Total Maintenance	\$384,850	\$1,114	\$0	\$0	\$148,200	\$534,164	\$0	\$534,164
95100 Protective Services - Labor	\$53,390				\$43,482	\$96,872		\$96,872
95200 Protective Services - Other Contract Costs	\$936	\$252				\$1,188		\$1,188
95300 Protective Services - Other	\$6,123				\$15,487	\$21,610		\$21,610
95500 Employee Benefit Contributions - Protective Services								
95000 Total Protective Services	\$60,449	\$252	\$0	\$0	\$58,969	\$119,670	\$0	\$119,670
96110 Property Insurance								
96120 Liability Insurance								
96130 Workmen's Compensation								
96140 All Other Insurance	\$49,425	\$17,010		\$1,157	\$11,040	\$78,632		\$78,632
96100 Total Insurance Premiums	\$49,425	\$17,010	\$0	\$1,157	\$11,040	\$78,632	\$0	\$78,632
96200 Other General Expenses	\$14,196	\$8,912		\$4,178	\$13,838	\$39,124		\$39,124
96210 Compensated Absences								
96300 Payments in Lieu of Taxes	\$8,978					\$8,978		\$8,978
96400 Bad debt - Tenant Rents	\$10,038					\$10,038		\$10,038
96500 Bad debt - Mortgages								
96600 Bad debt - Other	\$1,543					\$1,543		\$1,543
96800 Severance Expense								
96000 Total Other General Expenses	\$34,755	\$8,912	\$0	\$4,178	\$13,838	\$59,683	\$0	\$59,683
96710 Interest of Mortgage (or Bonds) Payable								
96720 Interest on Notes Payable (Short and Long Term)								
96730 Amortization of Bond Issue Costs								
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$1,370,109	\$464,901	\$58,922	\$142,626	\$1,589,821	\$3,626,379	-\$237,458	\$3,388,921
97000 Excess of Operating Revenue over Operating Expenses	\$190,532	\$4,122,261	\$0	-\$111,936	-\$761,772	\$3,439,085	\$0	\$3,439,085
97100 Extraordinary Maintenance	\$3,465	\$0				\$3,465		\$3,465
97200 Casualty Losses - Non-capitalized								
97300 Housing Assistance Payments		\$4,561,350				\$4,561,350		\$4,561,350

97350 HAP Portability-In								
97400 Depreciation Expense	\$461,138	\$7,002		\$4,189	\$25,399	\$497,728		\$497,728
97500 Fraud Losses								
97600 Capital Outlays - Governmental Funds								
97700 Debt Principal Payment - Governmental Funds								
97800 Dwelling Units Rent Expense								
90000 Total Expenses	\$1,834,712	\$5,033,253	\$58,922	\$146,815	\$1,615,220	\$8,688,922	-\$237,458	\$8,451,464
10010 Operating Transfer In	\$211,462				\$431	\$211,893		\$211,893
10020 Operating transfer Out	-\$211,462				-\$431	-\$211,893		-\$211,893
10030 Operating Transfers from/to Primary Government								
10040 Operating Transfers from/to Component Unit								
10050 Proceeds from Notes, Loans and Bonds								
10060 Proceeds from Property Sales								
10070 Extraordinary Items, Net Gain/Loss								
10080 Special Items (Net Gain/Loss)								
10091 Inter Project Excess Cash Transfer In								
10092 Inter Project Excess Cash Transfer Out								
10093 Transfers between Program and Project - In								
10094 Transfers between Project and Program - Out	\$0					\$0		\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$274,071	-\$446,091	\$0	-\$116,125	-\$787,171	-\$1,623,458	\$0	-\$1,623,458
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$23,043,710	\$542,478	\$0	\$1,666,444	\$447,783	\$25,700,415		\$25,700,415
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$16,207,031	\$72,775			\$16,134,256	\$0		\$0
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		\$23,807				\$23,807		\$23,807
11180 Housing Assistance Payments Equity		\$145,355				\$145,355		\$145,355
11190 Unit Months Available	2400	10692				13092		13092
11210 Number of Unit Months Leased	2292	9828				12120		12120
11270 Excess Cash	\$1,580,245					\$1,580,245		\$1,580,245
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	\$78,097				\$0	\$78,097		\$78,097
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

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATEMENT OF CAPITAL FUND PROGRAM COST UNCOMPLETED
FOR THE YEAR ENDED DECEMBER 31, 2015**

EXHIBIT G

**ANNUAL CONTRIBUTION CONTRACT C - 348
PHASES IN36PO10 - 501-11, 501-12, 501-13, 501-14, 501-15 and 501-16.**

	501-11	501-12	501-13	501-14	501-15	501-16	Total
Funds Approved	\$ 612,981	\$ 458,458	\$ 494,008	\$ 623,926	\$ 635,682	\$ 650,398	\$ 3,475,453
Funds Expended	<u>612,981</u>	<u>458,458</u>	<u>208,514</u>	<u>236,931</u>	<u>234,634</u>	<u>25,142</u>	<u>1,776,660</u>
Excess\ (Deficit) of Funds Approved	\$ <u>-</u>	\$ <u>-</u>	\$ <u>285,494</u>	\$ <u>386,995</u>	\$ <u>401,048</u>	\$ <u>625,256</u>	\$ <u>1,698,793</u>
Funds Advanced	\$ 612,981	\$ 458,458	\$ 229,393	\$ 175,507	\$ 24,256	\$ 24,256	\$ 1,524,851
Funds Expended	<u>612,981</u>	<u>458,458</u>	<u>208,514</u>	<u>236,931</u>	<u>234,634</u>	<u>25,142</u>	<u>1,776,660</u>
Excess\ (Deficit) of Funds Advanced	\$ <u>-</u>	\$ <u>-</u>	\$ <u>20,879</u>	\$ <u>(61,424)</u>	\$ <u>(210,378)</u>	\$ <u>(886)</u>	\$ <u>(251,809)</u>

- 1 Capital Fund Program costs for Phases IN 36-501-11, 12, 13, 14 15 and 16 are shown above.
- 2 Cost additions for the audit period totaled \$9,836 for IN 36-501-12, \$4,461 for IN 36-501-13, \$45,129 for IN 36-501-14, \$210,378 for IN 36-501-15, \$25,142 for IN 36-501-16 and accordingly, were audited by Velma Butler & Company Ltd.

SINGLE AUDIT REPORTS

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

INDEPENDENT AUDITOR'S REPORT

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, comprising the major funds of the Housing Authority of the City of Hammond, Indiana (the Authority), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 24, 2016.

Internal Control Over Financial Reporting

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

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

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

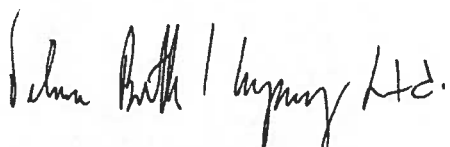
audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "Velma Butler / Company Ltd.", is written over a faint, illegible printed name.

Velma Butler & Company, Ltd.
Chicago, Illinois

August 24, 2016



**Report on Compliance for Each Major Federal Program;
Report on Internal Control over Compliance; and
Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

INDEPENDENT AUDITOR'S REPORT

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

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

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Hammond, Indiana (the Authority)'s compliance with the types of compliance requirements described in the *OMB 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, 2015. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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, 2015.

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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

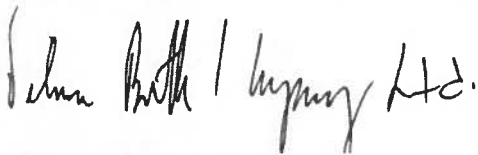
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Authority as of and for the year ended December 31, 2015, and have issued our report thereon dated August 24, 2016, 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 purposes of additional analysis as required by the Uniform Guidance 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 expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink, appearing to read "Velma Butler / Company Ltd.", written in a cursive style.

Velma Butler & Company, Ltd.
Chicago, Illinois

August 24, 2016

SUMMARY OF AUDITOR'S RESULTS

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Section I - Summary of Auditor's Results

Financial Statements

The type of report issued: **Unmodified**

Internal control over financial reporting:

Material weakness(es) identified? Yes No

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

Noncompliance material to financial statements noted?
 Yes None reported

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

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

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? Yes 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	
14.850	Public and Indian Housing
Housing Choice Voucher Housing Assistance Programs	
14.871	Housing Choice Voucher Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes No

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
SUMMARY OF FINDINGS AND QUESTIONED COST
FOR THE YEAR ENDED DECEMBER 31, 2015**

Section II - Financial Statement Findings

There were no reportable findings for the fiscal year ended December 31, 2015.

Section III - Federal Award Findings and Questioned Costs

There were no reportable findings for the fiscal year ended December 31, 2015.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
PRIOR YEAR FINDINGS AND QUESTIONED COST
FOR THE YEAR ENDED DECEMBER 31, 2015**

Section II - Financial Statement Findings

There were no reportable findings for the fiscal year ended December 31, 2014.

Section III - Federal Award Findings and Questioned Costs

There were no reportable findings for the fiscal year ended December 31, 2014.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
COMPLIANCE WITH SECTION 8 HOUSING MANAGEMENT ASSESSMENT PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2015**

SEMAP Compliance

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

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
COMPLIANCE WITH PUBLIC HOUSING ASSESSMENT SYSTEM PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2015**

PHAS Compliance

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