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August 12, 2016

HUD Representative  
City of Gary Housing Authority  
578 Broadway  
Gary, IN 46402

We have reviewed the audit report prepared by Velma Butler & Company, LTD. Certified Public Accountants and Consultants, for the period April 1, 2014 to March 31, 2015. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. The Independent Public Accountant provided a modified opinion on the financial statements included in the report due to some account balances had not been fully vetted and financial transaction were not sufficient to allow reasonable assurance on the completeness of accounting records for the balances.

Furthermore, we call your attention to the findings in the report on pages 47 through 56. These findings consisted of significant deficiencies in internal control over financial reporting; noncompliance with provisions of laws regulations, contract, and grant agreements which could have a direct and material effect on the determination of financial statement amounts; noncompliance with the requirements for federal programs CFDA 14.850 Public and Indian Housing, CFDA 14.871 Section 8 Housing Choice Vouchers, and CFDA 14.872 Public Housing Capital Fund of such a magnitude that the opinions on compliance were modified; noncompliance with other requirements for major federal programs; and significant deficiencies in internal control over compliance.

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

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THE HOUSING AUTHORITY OF THE  
CITY OF GARY, INDIANA  
INDEPENDENT AUDITORS' REPORT,  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION,  
INCLUDING SINGLE AUDIT REPORTS  
FOR THE YEAR ENDED  
MARCH 31, 2015

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THE HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA

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**INDEPENDENT AUDITOR'S REPORT**

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Housing Authority of the City of Gary, Indiana  
Gary, Indiana

U.S. Department of Housing and Urban  
Development  
Indianapolis Office  
Minton-Capehart Federal Building  
575 North Pennsylvania, Room 655  
Indianapolis, Indiana 46204

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and each major fund of the Housing Authority of the City of Gary, Indiana (the Authority), as of and for the year ended March 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion, accordingly, we have issued a modified opinion.

### ***Basis for Modified Opinion***

Management is in the process of reviewing and correcting account beginning balances for any previous errors or misstatements. While the process is ongoing, some account balances have not been fully vetted and the financial transactions were not sufficient to allow us to place reasonable assurance on the completeness of accounting records for the balances. Accordingly, it was not practicable for us to extend our audit procedures beyond the records available to us for balances not fully vetted.

### ***Modified Opinion***

In our opinion, except for the effects of the matter described in the Basis for Modified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Gary, Indiana, as of March 31, 2015, and the changes in financial position 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 4-10 to 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. However, we did not audit the information and express no opinion on it.

#### ***Other Information***

Our audit was conducted for the purpose for forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanied financial data schedules and the schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit*

*Organizations* are presented for purposes 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 and relates 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the effects of the matter described in the Basis for Modified Opinion paragraph, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2016, on our consideration of 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 were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion in our dated August 5, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2014, is consistent, in all material respects, with the financial statements from which it has been derived.

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 signatory.

Velma Butler & Company, Ltd.  
Chicago, Illinois

March 18, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



**HOUSING AUTHORITY of the CITY  
of GARY, INDIANA  
578 Broadway  
Gary, Indiana 46402**

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Housing Authority of the City of the Gary, 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 March 31, 2015.

We are pleased to submit the financial statements of the Housing Authority of the City of Gary, Indiana for the year ended March 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.

***FINANCIAL HIGHLIGHTS***

- Net Position at March 31, 2015, was \$73.9 million a increase of \$138 thousand from the March 31, 2014 total of \$73.8 million.
- Revenue increased by \$1.6 million for fiscal year 2015. The increase was primarily due to an increase in HUD Capital Grants.
- Operating expenses, excluding depreciation, decreased by \$84 thousand or by 0.4%, from \$22.1 million at March 31, 2014 to \$22.0 million at March 31, 2015.
- Total assets decreased by \$467 thousand from \$82.2 million at March 31, 2014 to \$81.7 million at March 31, 2015.
- Capital assets were \$63.4 million at March 31, 2015, an increase of \$710 thousand from the March 31, 2014, balance of \$62.7 million primarily because of capital grant funds.
- Liabilities decreased by \$605 thousand or 7.2% from \$8.4 million at March 31, 2014 to \$7.8 million at March 31, 2015.

The management's discussion and analysis section includes information on the past and future accomplishments of the Authority. It focuses on analysis of the financial statements and the improvements in the Authority's management.

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

## **USING THIS REPORT**

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

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

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

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

These financial statements report on the functions of the Authority that are principally supported by intergovernmental revenues. The Authority's function is to provide decent, safe, and sanitary housing to the moderate, 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 income housing program, the housing choice voucher program, special grants, and component units as follows.

*Fund Financial Statements* are groupings of accounts used to maintain control over resources segregated for specific activities or objectives. The Authority, like other state, local, or quasi-governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority's fund only consisted of a *Proprietary Fund*.

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

*Low-Income Public Housing*-Under the Low Income Public Housing Program, the Authority rents units it owns to moderate and low-income families. The Low Income 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 adjusted gross household income.

*Capital Fund Program (CFP)* - The Low Income 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 and Moderate Rehabilitation* -The Housing Choice Voucher and Moderate Rehabilitation Programs are the federal government's programs for assisting moderate and 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 - (ROSS) Program* - 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 Units* - The Component units are not-for-profit organizations formed by the Authority for the purpose of assisting in the development of projects which provide housing to a mixture of moderate, low-income and market rate families. The moderate and 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 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.

The financial section provides 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 net position at March 31, 2015 increased by \$138 thousand to \$73.9 million. This was a 0.2% increase from the March 31, 2014 balance of \$73.8 million.

**Table 1**  
**Gary Housing Authority Net Position**  
**(in thousand dollars)**

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>Percentage Change</u>
Cash and Investments	\$ 5,625	\$ 7,369	\$ (1,744)	-23.7%
Other Current Assets	961	684	277	40.5%
<b>Total Current Assets</b>	<u>6,586</u>	<u>8,053</u>	<u>(1,467)</u>	-18.2%
Non-Current Assets				
Capital Assets	63,437	62,727	710	1.1%
Notes Rec. and Accrued Int.	11,710	11,420	290	2.5%
<b>Total Assets</b>	<u>81,733</u>	<u>82,200</u>	<u>\$ (467)</u>	-0.6%
Current Liabilities	\$ 1,756	\$ 2,288	\$ (532)	-23.3%
Deferred Inflows - Int. Income	2,873	2,583	290	11.2%
Notes and Bonds Payable	2,140	2,415	(275)	-11.4%
Other Non Current Liabilities	1,019	1,107	(88)	-7.9%
<b>Total Liabilities</b>	<u>7,788</u>	<u>8,393</u>	<u>(605)</u>	-7.2%
Unrestricted	10,508	10,390	118	1.1%
Restricted Net Assets	-	690	(690)	-100.0%
Net Investment in Capital Assets	63,437	62,727	710	1.1%
<b>Total Net Position</b>	<u>73,945</u>	<u>73,807</u>	<u>138</u>	0.2%
<b>Total Liab. and Net Position</b>	<u>\$ 81,733</u>	<u>\$ 82,200</u>	<u>\$ (467)</u>	-0.6%

## CAPITAL ASSETS

Capital assets increased by \$710 thousand from \$62.7 million to \$63.4 million, as shown in the table below:

	<u>March 31, 2014</u>	<u>Additions / Deletions</u>	<u>March 31, 2015</u>
Land and Structures	\$ 76,349,860	\$	\$ 76,349,860
Leasehold Improvements	13,671,520		13,671,520
Equipment and Furniture	6,797,578	(164,667)	6,632,911
Construction in Progress	28,403,503	2,035,194	30,438,697
Less Accum. Depreciation	(62,495,577)	(1,160,549)	(63,656,126)
<b>Total Capital Assets</b>	<u>\$ 62,726,884</u>	<u>\$ 709,978</u>	<u>\$ 63,436,862</u>

Capital additions totaled \$2,035,194 and dispositions were \$164,667. Depreciation expense for the year totaled \$1,088,490 with adjustments due to write-offs and corrections.

## NON-CURRENT ASSETS

The Authority has several notes receivable outstanding as a result of funds loaned to its mixed income developers. These are long-term notes that will mature in 2051 and 2060. Interest payments are accumulated and are not required to be paid until the developments generate positive cash flow per HUD regulations. The Authority maintains escrow deposits for repairs related to the notes.

## DEBT

The Authority has bonds outstanding totaling \$3.1 million for both principal and interest to bond holders. The bonds mature in 2021. Interest is paid semi-annually and principal is paid annually. The bonds are secured by \$3.4 million held in escrow by a bank. The bank makes all payments to bond holders. The Authority also has deferred inflow of resources from accrued interest receivable totaling \$2.9 million.

## Change in Net Position

As shown in Table 2, below, the Authority's total operating revenues, which included all HUD Grants, tenant rents, interest and other income increased by \$1.6 million or 7.4 percent, while total operating expenses decreased by \$84 thousand or 0.4 percent, from approximately \$22.1 million at March 31, 2014 to \$22 million at March 31, 2015.

**Table 2**  
**Changes in Gary Housing Authority's Net Position**  
**(in thousand dollars)**

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>Percentage Change</u>
Tenant Revenue	\$ 2,590	\$ 2,883	\$ (293)	-10.2 %
HUD Revenue	19,890	18,211	1,679	9.2 %
Other Income	724	508	216	42.5 %
<b>Total Revenue</b>	<u>23,204</u>	<u>21,602</u>	<u>1,602</u>	7.4 %
Operating Expenses	21,978	22,062	(84)	-0.4 %
Depreciation	1,088	1,469	(381)	-25.9 %
<b>Total Expenses</b>	<u>23,066</u>	<u>23,531</u>	<u>(465)</u>	-2.0 %
<b>Change in Net Position</b>	138	(1,929)	2,067	-107.2 %
Beginning Net Position	73,807	75,736	(1,929)	-2.5 %
<b>Ending Net Position</b>	<u>\$ 73,945</u>	<u>\$ 73,807</u>	<u>\$ 138</u>	0.2 %

As previously stated, operating expenses decreased by approximately 2 percent, changes are shown below in Table 3:

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

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>Total Percent Change</u>
Administrative Expenses	\$ 3,689	\$ 4,512	\$ (823)	-18.2%
Tenant Services	50	22	28	126.1%
Utilities Expenses	3,009	3,411	(402)	-11.8%
Ordinary Maintenance	3,222	2,545	677	26.6%
Protective Services	701	705	(4)	-0.6%
General Expenses	742	633	109	17.2%
Housing Assistance Payments	9,969	9,963	6	0.1%
Casualty Losses	398	56	342	100.0%
Interest Expenses	198	215	(17)	100.0%
Depreciation Expense	1,088	1,469	(381)	-25.9%
<b>Total Operating Expenses</b>	<u>\$ 23,066</u>	<u>\$ 23,531</u>	<u>\$ (465)</u>	-2.0%

Decreases occurred mainly in administrative expenses. The decrease in administrative expenses was due to the decrease in salary expense.

## **BUDGETARY HIGHLIGHTS**

For the operating budget, the chief financial officer submits a proposed budget; for revenues and expenses for the low income operating programs, functions, activities, or objectives for the following fiscal year; to the or 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. The Authority did not establish budgetary amendments for the fiscal year-end March 30, 2015.

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

## **MAJOR INITIATIVES**

The Gary Housing Authority continues to provide comprehensive service in the City of Gary 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 agency continues to make progress, considering the various challenges for the federally subsidized housing providers. Improvements planned for the upcoming year(s) include the rehabilitation of long-term vacant units; upgrade of occupied units; and the demolition of housing units deemed non-viable. The aforementioned are only some of the many initiatives planned, as we continue to seek avenues and resources to improve the lives our residents.

## **ECONOMIC FACTORS**

The Authority is primarily dependent upon HUD for its funding of operations; therefore, operating revenues are more affected 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. Starlene Williams, Controller, The Housing Authority of the City of Gary, Indiana, 578 Broadway, Gary, Indiana 46402, or call 219-888-6619.

Sincerely,



Julian Marsh  
Executive Director

## **BASIC FINANCIAL STATEMENTS**



**HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA  
STATEMENT OF NET POSITION - ENTERPRISE FUND  
FOR THE YEAR ENDED MARCH 31, 2015 (WITH COMPARATIVE TOTALS FOR 2014)**

**EXHIBT A**

	LOW RENT	SECTION 8	COMPONENT UNITS	ROSS	ELIMINATION	2015 TOTAL	2014 TOTAL
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and Cash Equivalents	\$ 1,222,627	\$ 370,497	\$	\$	\$	\$ 1,593,124	\$ 2,909,604
Investments and Escrows	2,206	46,255	3,983,464			4,031,925	4,459,447
Accounts Receivable, net	1,600,993	97,261		12,619	(1,007,447)	703,426	338,437
Prepaid Expenses	90,536	4,665				95,201	92,744
Material Inventories, net	162,084					162,084	252,955
Notes Receivable - Current		57,902			(57,902)	-	-
Total Current Assets	3,078,446	576,580	3,983,464	12,619	(1,065,349)	6,585,760	8,053,187
<b>NON CURRENT ASSETS</b>							
Accrued Interest Receivable	2,394,760		478,710			2,873,470	2,583,113
Notes Receivable - Long Term	8,337,060	1,350,347	500,000		(1,350,347)	8,837,060	8,837,060
Capital Assets, net	60,285,091		3,151,771			63,436,862	62,726,884
Total Non-Current Assets	71,016,911	1,350,347	4,130,481	-	(1,350,347)	75,147,392	74,147,057
<b>TOTAL ASSETS</b>	<b>\$ 74,095,357</b>	<b>\$ 1,926,927</b>	<b>\$ 8,113,945</b>	<b>\$ 12,619</b>	<b>\$ (2,415,696)</b>	<b>\$ 81,733,152</b>	<b>\$ 82,200,244</b>
<b>LIABILITIES AND NET POSITION</b>							
<b>CURRENT LIABILITIES</b>							
Accounts Payable	\$ 2,000,427	\$ 119,666	\$	\$ 12,619	\$ (1,007,447)	\$ 1,125,265	\$ 1,853,048
Accrued Liabilities	289,945					289,945	120,647
Accrued Compensated Absences - Current	65,742					65,742	59,640
Notes Payable - Current	57,902				(57,902)	-	-
Bonds Payable - Current			275,000			275,000	255,000
Total Current Liabilities	2,414,016	119,666	275,000	12,619	(1,065,349)	1,755,952	2,288,335
<b>NONCURRENT LIABILITIES</b>							
Escrow Deposits			926,727			926,727	927,760
Accrued Compensated Abs. - Non-Current	91,991					91,991	178,918
Deferred Inflow of Resources	2,394,760		478,710			2,873,470	2,583,113
Notes Payable - Long-Term	1,350,347				(1,350,347)	-	-
Bonds Payable - Long-Term			2,140,000			2,140,000	2,415,000
Total Noncurrent Liabilities	3,837,098	-	3,545,437	-	(1,350,347)	6,032,188	6,104,791
Total Liabilities	6,251,114	119,666	3,820,437	12,619	(2,415,696)	7,788,140	8,393,126
<b>NET POSITION</b>							
Unrestricted Net Assets	7,559,152	1,807,261	1,141,737	-	-	10,508,150	10,390,354
Restricted Net Assets						-	689,880
Net Investment in Capital Assets	60,285,091	-	3,151,771	-	-	63,436,862	62,726,884
Total Net Assets	67,844,243	1,807,261	4,293,508	-	-	73,945,012	73,807,118
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 74,095,357</b>	<b>\$ 1,926,927</b>	<b>\$ 8,113,945</b>	<b>\$ 12,619</b>	<b>\$ (2,415,696)</b>	<b>\$ 81,733,152</b>	<b>\$ 82,200,244</b>

See Accompanying Notes to Financial Statements

**HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED MARCH 31, 2015 (WITH COMPARATIVE TOTALS FOR 2015)**

**EXHIBIT B**

	LOW RENT	SECTION 8	COMPONENT UNIT	ROSS	2015 TOTAL	2014 TOTAL
<b>OPERATING REVENUES</b>						
Tenant Charges	\$ 2,598,590	\$	\$	\$	\$ 2,598,590	\$ 2,883,289
HUD Operating Grants	7,828,532	10,251,908		12,619	18,093,059	17,941,263
Other Income	557,715	50,323			608,038	678,863
<b>TOTAL REVENUES</b>	<b>10,984,837</b>	<b>10,302,231</b>	<b>-</b>	<b>12,619</b>	<b>21,299,687</b>	<b>21,503,415</b>
<b>OPERATING EXPENSES</b>						
Administrative Expenses	2,862,091	814,472		12,619	3,689,182	4,511,538
Tenant Services	50,077				50,077	22,115
Utilities Expenses	3,004,824	4,183			3,009,007	3,410,649
Ordinary Maintenance	3,220,443	1,845			3,222,288	2,545,495
Protective Services	700,974				700,974	704,938
General Expenses	739,065	2,982			742,047	633,403
Housing Assistance Payments	-	9,969,183			9,969,183	9,963,150
Casualty Losses	397,398				397,398	55,587
Interest Expense			197,580		197,580	215,214
Depreciation Expense	1,088,490				1,088,490	1,469,358
<b>TOTAL OPERATING EXPENSES</b>	<b>12,063,362</b>	<b>10,792,665</b>	<b>197,580</b>	<b>12,619</b>	<b>23,066,226</b>	<b>23,531,447</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(1,078,525)</b>	<b>(490,434)</b>	<b>(197,580)</b>	<b>-</b>	<b>(1,766,539)</b>	<b>(2,028,032)</b>
<b>NON-OPERATING REVENUES AND (EXPENSES)</b>						
Interest Income		(3,680)	110,931		107,251	(47,379)
HUD Capital Grants	1,796,582				1,796,582	269,859
Gain/(Loss) on Disposal of Assets	600				600	(123,318)
Management Fees - Revenue	1,490,674				1,490,674	1,768,915
Management Fees - Expense	(1,359,941)	(130,733)			(1,490,674)	(1,768,915)
<b>TOTAL NON-OPERATING</b>	<b>1,927,915</b>	<b>(134,413)</b>	<b>110,931</b>	<b>-</b>	<b>1,904,433</b>	<b>99,162</b>
<b>CHANGES IN NET POSITION</b>	<b>849,390</b>	<b>(624,847)</b>	<b>(86,649)</b>	<b>-</b>	<b>137,894</b>	<b>(1,928,870)</b>
<b>BEGINNING NET POSITION</b>	<b>66,994,853</b>	<b>2,432,108</b>	<b>4,380,157</b>	<b>-</b>	<b>73,807,118</b>	<b>75,735,988</b>
<b>ENDING NET POSITION</b>	<b>\$ 67,844,243</b>	<b>\$ 1,807,261</b>	<b>\$ 4,293,508</b>	<b>\$ -</b>	<b>\$ 73,945,012</b>	<b>\$ 73,807,118</b>

See Accompanying Notes to Financial Statements

HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA  
 STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS  
 FOR THE YEAR ENDED MARCH 31, 2015 (WITH COMPARATIVE TOTALS FOR 2015)

EXHIBIT C

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Tenants and Others	\$ 23,314,844	\$ 21,401,480
Payments to Employees	(2,608,388)	(3,128,910)
Payments to Vendors and Suppliers	(22,302,023)	(17,614,563)
Net Cash Provided by/(Used for) Operating Activities	<u>(1,595,567)</u>	<u>658,007</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Gain)/Loss on Investments	320,271	49,138
Interest on Investments	107,251	758
Net Cash Provided by/(Used for) Investing Activities	<u>427,522</u>	<u>49,896</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Purchase)/Sale of Capital Assets	(238,612)	(38,900)
Investment in Capital Assets	(1,796,582)	(141,528)
Disposal of Asset	2,161,759	79,545
Increase/(Decrease) in Bonds Payable	(275,000)	(240,000)
Net Cash Provided by/(Used for) Financing Activities	<u>(148,435)</u>	<u>(340,883)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(1,316,480)</u>	<u>367,020</u>
<b>CASH AND CASH EQUIVALENTS AT APRIL 1, 2014</b>	2,909,604	2,542,584
<b>CASH AND CASH EQUIVALENTS AT MARCH 31, 2015</b>	<u>\$ 1,593,124</u>	<u>\$ 2,909,604</u>
<b>Unrestricted Cash and Cash Equivalents at March 31, 2015</b>	\$ 771,188	\$ 1,989,006
<b>Restricted Cash and Cash Equivalents at March 31, 2015</b>	821,936	920,598
<b>CASH AND CASH EQUIVALENTS AT MARCH 31, 2015</b>	<u>\$ 1,593,124</u>	<u>\$ 2,909,604</u>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</b>		
Operating Loss	\$ (1,766,539)	\$ (2,028,032)
Adjustments To Reconcile:		
Depreciation	1,088,490	1,469,357
Add back Loss on Disposal	(600)	123,318
Changes in Assets and Liabilities		
(Increase)/Decrease in Accounts Receivable	(364,989)	(25,607)
(Increase)/Decrease in Prepaid Expenses	(2,457)	(81,595)
(Increase)/Decrease in Material Inventories	90,871	105,684
(Increase)/Decrease in Accrued Interest Receivables	(290,356)	(189,171)
Increase/(Decrease) in Accounts Payable	(727,783)	1,043,483
Increase/(Decrease) in Accrued Liabilities	88,473	(22,967)
Increase/(Decrease) in Escrow Deposits	(1,033)	74,366
Increase/(Decrease) in Deferred Revenue	290,356	189,171
Net Cash Provided by/(Used for) Operating Activities	<u>\$ (1,595,567)</u>	<u>\$ 658,007</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES</b>		
None		

See Accompanying Notes to Financial Statements

**NOTES TO THE FINANCIAL STATEMENTS**

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

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**Note 1 - Organization and Program Description**

The Housing Authority of the City of Gary, 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-income 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 Gary (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.

In August 2013, HUD took over the day to day operations of the Housing Authority. The Board of Commissioners was dissolved and a one member HUD employee was designated as the Board of Commissioner.

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 provide funds to assist the Public Housing Authorities (PHAs) in financing the acquisition, construction, and/or leasing of housing units; make housing assistance payments; and make annual contributions (subsidies) to PHAs for the purpose of maintaining the low income character of the local housing program.

The Gary Housing Authority is a separate governmental entity created for the purpose of constructing, maintaining, and operating public housing and providing rental assistance to low and moderate income persons. The majority of its funding is provided by the Department of Housing and Urban Development (HUD). All funds and programs are included in these statements.

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

**Low Income Housing** - The low income 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 Grants and Development (Hope VI) Funds are also provided by HUD and are used to improve the construction, physical condition, management and operation of existing public housing developments. The low income housing program is reported as an enterprise fund.

**Section 8 Programs** - The Authority participates in the housing choice voucher, and moderate rehabilitation programs. These programs are designed to provide privately owned, decent, safe

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

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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 and the moderate rehabilitation programs are also reported as enterprise funds.

**Resident Opportunities and Self Sufficiency - (ROSS) Program** - 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.

**Modernization and Development** - Substantially all additions to land, buildings, and equipment are funded through Capital Grant Fund Program or Hope VI - Development Program. These programs add to, replace or materially upgrade deteriorated portions of the Authority's housing units. Funding is provided through programs established by 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 the Gary Housing Authority LLC, Gary Housing Development Corporation, Small Farms Development Corporation (Small Farms), and Fifth Avenue Housing Development Corporation, as component units.

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 Units**

**Gary Housing Authority, LLC (GHA LLC)**

GHA LLC was established on September 4, 2003 as a for profit limited liability company. GHA LLC was formed to acquire and/or manage real property. The LLC was formed by the Authority, it's sole member, for the purpose of assisting in the development of a 131 unit multifamily housing project leased to Duneland Village Apartments, L.P., under Section 542(c) of the Housing and Community Development Act of 1992, defined under the provisions of section 221(d)(4) of The National Housing Act. Such projects are regulated as to rent and

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

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operating methods. Construction was substantially completed in March 2004. The management building was completed in August 2005. Apartments are rented to a mixture of moderate, low-income and market-rate tenants. Complete financial statements of the organization may be obtained from the Finance Director of the Gary Housing Authority, at their office at 578 Broadway, Gary Indiana, 46402.

**Gary Housing Development Corporation (GHDC)**

GHDC was established on July 9, 2003 as a nonprofit company to acquire and/or manage real property. GHDC was formed by the GHA, its sole participant, for the purpose of assisting in the development of a 123 unit multifamily housing project leased to Horace Mann Associates, L.P., under section 542(c) of the Housing and Development Act of 1992, defined under the provisions of section 221(d)(4) of the National Housing Act. Such projects are regulated as to rent and operating methods. Construction was substantially completed in March 2006. Apartments are rented to a mixture of moderate, low income and market rate tenants. Complete financial statements of the organization may be obtained from the Finance Director of the Gary Housing Authority, at their office at 578 Broadway, Gary Indiana, 46402.

**Fifth Avenue Housing Development Corporation (Fifth Avenue)**

Fifth Avenue was formed in May 1983 to assist in the development of housing projects within the meaning of Section 3(b) of the United States Housing Act of 1937. Fifth Avenue issued Construction Loan Notes and Mortgage Revenue Bonds for both Gary NSA III and NSA V. The Construction Loan Notes and Mortgage Revenue Bonds were both retired in 2001. Apartments were rented to a mixture of low income and market rate tenants. The Authority subsequently entered into a lease with NSA III and V to manage its Section 8 program. The Section 8 management has subsequently been discontinued and the corporation has been inactive. Complete financial statements of the organization may be obtained from the Finance Director of the Gary Housing Authority, at their office at 578 Broadway, Gary Indiana, 46402.

**Small Farms Development Corporation (Small Farms)**

Small Farms was formed in March 1979 to engage in the development of housing projects within the meaning of Section 3(6) of the United States Housing Act of 1937. Small Farms provided interim construction financing and permanent mortgage financing for the construction of 13 two-story buildings consisting of 200 units for low income families, and a community building on 20 acres of land in Gary, Indiana. Small Farms provided financing to fund the project by issuing Mortgage Revenue Bonds in April 1979. Apartments are rented to a mixture of moderate, low income and market rate tenants. Government backed securities were purchased as security for the loans. The bonds are managed by an independent administrator. Complete financial statements of the organization may be obtained from the Finance Director of the Gary Housing Authority, at their office at 578 Broadway, Gary Indiana, 46402.

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

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**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 accounts segregate funds according to their intended purpose and are 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:

- Public Housing Units consist of HUD financed units, owned by the Authority. Funds include low-income housing programs, capital grant program and Hope VI - development program.
- Section 8 programs consist of HUD provided rental housing assistance programs, where the rents are paid directly to landlords. Funds include the housing choice voucher and moderate and substantial rehabilitation programs.
- ROSS program consist of funds to hire and maintain service coordinators to assess the needs of residents and to coordinate available resources.
- Component unit funds consist of the financing activities of the construction of mixed income housing units and the issuance of bonds to develop affordable housing.

*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 are necessary for management accountability.

*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 GARY, INDIANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2015**

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**Net Position** - The Authority has adopted GASB Statement No. 33. In accordance with GASB Statement No. 33, capital contributions are recognized as revenue when expenditures are made and amounts become subject to claim for reimbursement. Depreciation recorded on property, plant and equipment acquired with funds recorded as contribution in years prior to 2000 is calculated on a straight-line basis over the estimated useful life of the related assets, charged to operations, and reclassified to the related contributed capital account. The net book values of assets disposed of are written off against contributed capital if no proceeds from the disposal are received. Depreciation recorded on the property, plant and equipment is charged to operations.

Net Position includes the following:

- Net investment in capital assets - the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds that are directly attributable to the acquisition, construction or improvement of these capital assets.
- Restricted for federal programs - the component of net position that reports the amount of revenue from a federal or state award for service programs in excess of expenditures. These funds are restricted for the use of the related federal or state program.
- Unrestricted - the difference between the assets and liabilities that is not reported in the net position invested in capital, net of related debt or net position restricted for federal and state programs.

**Inter-program Due to/from** - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

**Federal Awards** - Federal grants for reimbursable programs are recognized as revenue in the year the related program expenditure occurs. Awards received prior to meeting revenue recognition criterion are recorded as deferred revenue. Operating grants are recorded as revenue in the year earned.

**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. 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. The Authority is also in compliance with all state and local laws and regulations regarding investments.

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

**Prepaid Expenditures** - Payments made to vendors for services that will benefit periods beyond March 31, 2015, are recorded as prepaid items.

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

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**Compensated Absences** – The Authority allows full-time regular employees to accumulate the following compensated balances:

- Vacation is accrued based on length of employment, ranging from 13 days per year after 12 months of continuous service to 25 days after 20 years of continuous service. Unused vacation is paid upon termination.
- Sick pay is granted at the rate of one day per month. Upon resignation or retirement employees are paid for unused sick leave as follows:
  1. 5 through 14 years                      50 percent
  2. 15 through 29 years                    75 percent
  3. 30 or more years                        90 percent

**Capital Assets** – The Authority capitalizes capital 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.

Capital 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. Capital assets are depreciated over their useful lives using the straight-line method of depreciation as follows:

Building	40 years
Building Modernization	10-27.5 years
Infrastructure	40 years
Office Furniture and Equipment	5-7 years
Automobiles	5 years
Computers	3 years

**Concentration of Risk**

During the year ended March 31, 2015, the Authority received approximately 82 percent of its revenue from HUD.

**Financial Information for 2014**

The financial statements include certain prior-year summarized comparative information in total but not by net position class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended March 31, 2014, from which the summarized information was derived.

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

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**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 Finance Director 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 for the year are prepared for capital projects activity, which is included in the low income housing enterprise fund. Budgets are submitted by the Authority’s Executive Director and approved by resolutions of the Board of Commissioners.

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

**Note 3 - Cash and Cash Equivalents**

Cash and cash equivalents totaled \$1,593,124 at March 31, 2015, and are 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. The Authority is also in compliance with all state and local laws and regulations regarding cash equivalents. Of the total cash on hand at March 31, 2015, \$771,188 was unrestricted and \$821,936 was restricted, as follows:

Total Unrestricted Cash	\$	771,188
Tenant Security Deposits		171,271
Housing Assistance Payment		193,496
FSS and Homeowner Escrow		101,952
Reserves		355,217
Total Restricted Cash		<u>821,936</u>
Total Cash	\$	<u><u>1,593,124</u></u>

**Note 4 - Investments**

At March 31, 2015, investments totaled \$4,031,925 which consisted of money market accounts and government securities. The fair values and unrealized gain/loss at March 31, 2015, are summarized as follows:

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

Description	Category 1		Unrealized Gain/(Loss)
	Book Value	Market Value	
Money Market	\$ 48,461	\$ 48,461	\$ -
Government Securities	3,983,464	3,983,464	-
<b>Total Investments</b>	<b>\$ 4,031,925</b>	<b>\$ 4,031,925</b>	<b>\$ -</b>

Category 1 - Certificates of deposit investments are insured by the Federal Depositor Insurance Corporation and are further fully collateralized by government security and held in the pledging financial institution's trust department in the Authority's name.

Money market and government security accounts are amounts held in escrows invested by the trustee in federal securities and U.S. Treasury Obligations money market funds. The Authority is currently not exposed to custodial credit risk or concentration risk, as defined in GASB 40. Restricted investments totaled \$3,983,464 as follows:

Description	Money Market	Government Securities	Total
Small Farms - Bonds	\$	\$ 3,056,738	\$ 3,056,738
GHA LLC - Reserve		926,725	926,725
Unrestricted Investments	48,461		48,461
<b>Total</b>	<b>\$ 48,461</b>	<b>\$ 3,983,464</b>	<b>\$ 4,031,925</b>

The Small Farms Development Corporation (Small Farms) - (a nonprofit corporation created as an agency and instrumentality of the Authority) investments are restricted for future bond payments. Small Farms issued mortgage revenue bonds (FHA Insured Mortgage - Section 8 Assisted Projects) totaling \$5,465,000 on April 1, 1979.

On October 15, 1991, Small Farms entered into an agreement with a bank to act as escrow deposit trustee. Investments totaling \$4,182,627 were deposited with the trustee. Escrows were required to be invested in Federal securities. Bond holder payments are to be made June 1 and December 1 until maturity of December 1, 2021. Bonds outstanding at March 31, 2015 were \$3,115,410. **(See Note 15)**

An escrow reserve accounts were established in association with the Duneland loan. Funds in these accounts totaled \$926,725 at March 31, 2015. **(See Note 14)**

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

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**Note 5 - Accounts Receivable**

At March 31, 2015, accounts receivable totaled \$703,426 and consisted of the following:

<b>Description</b>	<b>Amount</b>
Tenant Accts. Receivable, net	\$ 150,340
Accounts Receivable - HUD	280,036
Accounts Receivable - Other	273,050
<b>Total Accounts Receivable</b>	<b>\$ 703,426</b>

The Authority reviews the accounts receivable periodically. The Authority had \$1,007,447 in inter-fund receivables and is offset by inter-fund payables. During the year \$34,748 was charged to bad debts.

**Note 6- Prepaid Expenses**

Prepaid expenses totaled \$95,201 at March 31, 2015, and consisted of prepaid insurance and vendor services.

**Note 7 - Material Inventories - Net**

Material inventories totaled \$162,084 at March 31, 2015. Material inventories are stated at the lower of cost or market. Material inventories were not reviewed for obsolescence or adjusted during the 2015 fiscal year.

**Note 8-Notes Receivable**

Notes receivable at March 31, 2015, totaled \$8,837,060 and represented amounts due from various component units. Total notes receivable along with accrued interest are shown below:

<b>Description</b>	<b>Notes</b>	<b>Interest</b>	<b>Total</b>
Duneland Village Associates, L.P.	\$ 3,116,000	\$ 2,394,760	\$ 5,510,760
Horace Mann Associates, L.P.	5,221,060	246,400	5,467,460
Gary Housing Development Corp.	500,000	232,310	732,310
<b>Total Notes and Interest Receivable</b>	<b>\$ 8,837,060</b>	<b>\$ 2,873,470</b>	<b>\$ 11,710,530</b>

The Authority established the various entities to fulfill its goal of affordable housing. The component units loaned funds to developers to build these units. Notes receivable primarily consist of amounts due from developers of mixed income properties. The repayment of these notes is based on net cash flow. As of March 31, 2015, no payments had been made.

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

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**The Housing Authority of the City of Gary, Indiana (GHA) Duneland Village Associates, L.P.**

The Authority provided a 57 year construction loan of \$3,116,000, to Duneland Village Associate LLC. The loan is secured by a second priority leasehold mortgage and security agreement. The note bears interest at a rate of 5.08% compounded annually until all amounts are paid in full.

These funds originated from the HOPE VI grant. During the life of the note, principal and interest are payable only from Net Available Cash Flow, Net Proceeds, or Condemnation Proceeds, as defined in the loan agreement. Net Available Cash Flow is defined as Surplus Cash, defined by the Project Regulatory Agreement, generated after the Project initially achieves 90% occupancy, less any other reasonable and necessary Project expenses for the borrower. Net Proceeds are defined as all proceeds received from the sale or refinancing of the Project, less (i) repayment of the first Mortgage Loan, (ii) costs of sale or refinancing, and (iii) any re-syndication or refinancing proceeds reinvested in the Project are unavailable for distributions. Duneland pays 55% of the first \$140,000 of Net Available Cash Flow, adjusted for inflation each year, and 75% of the Net Available Cash Flow of the Project in excess of \$140,000. The loan matures on September 1, 2060. The amount outstanding at March 31, 2015 is \$3,116,000 plus accrued interest of \$2,394,760.

**The Housing Authority of the City of Gary, Indiana (the Authority) - Horace Mann Associates, L.P.**

The Authority provided a 45.5 year construction loan of \$5,221,060, to Horace Mann Associates, L. P. The loan matures on December 31, 2051. The interest rate of the loan was 8% annually, during the construction and noninterest bearing thereafter. Maximum interest during construction was \$246,400.

The loan is secured by a third priority leasehold mortgage and security agreement. Principal and interest are payable only from Net Available Cash Flow, Net Proceeds, or Condemnation Proceeds, as defined in the loan agreement. Net Available Cash Flow is defined as Surplus Cash, defined by the Project Regulatory Agreement, generated after the Project initially achieves 90% occupancy, less any other reasonable and necessary Project expenses for the Borrower. Net Proceeds are defined as all proceeds received from the sale or refinancing of the Project, less (i) repayment of the First Mortgage Loan and the Second Mortgage Loan, (ii) costs of sale or refinancing, (iii) any re-syndication of refinancing proceeds reinvested in the Project are unavailable for distribution, and (iv) repayment of any Project related advances.

Thirty-six percent of Net Available Cash Flow is paid annually as long as the Second Mortgage is outstanding. The Partnership will pay the Authority 57% of Net Available Cash Flow of the Project.

The loan matures on December 31, 2051. Principal outstanding at March 31, 2015 was \$5,221,060. Accrued interest was \$246,400.

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

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**Gary Housing Development Corporation (GHDC) - Horace Mann Associates, L.P.**

GHDC (a wholly owned not for profit organization) provided a 39.5 year construction loan of \$500,000 to Horace Mann Associates, L. P. The loan matures on December 31, 2046. The interest rate of the loan was 8.0% annually, during the construction and 4.57% thereafter. Maximum interest during construction was \$23,600.

Principal and interest are payable only from Net Available Cash Flow, Net Proceeds, or Condemnation Proceeds. Until maturity, 21% of Net Available Cash Flow is paid annually. Net Available Cash Flow is defined as Surplus Cash, defined by the Project Regulatory Agreement, generated after the Project initially achieves 90% occupancy, less any other reasonable and necessary Project expense for the Borrower. Net Proceeds are defined as all proceeds received from the sale or refinancing of the project, less (i) repayment of the First Mortgage Loan, (ii) costs of sale or refinancing, (iii) any re-syndication of refinancing proceeds reinvested in the Project are unavailable for distribution, and (iv) repayment of any Project related advances.

The loan matures on December 31, 2047. The amount outstanding at March 31, 2015 is \$500,000. Accrued interest totaled \$232,310.

**HUD IG Audit**

Based on an audit performed by the office of the HUD Inspector General, the Authority has entered into an agreement to repay disallowed costs back to the Section 8 Program. According to the agreement, the Low Income program must make annual reimbursement payments through December 31, 2053. At March 31, 2015 the Section 8 receivable was \$1,408,249. The loan is eliminated on balance sheet because the fund are owed from low income to section 8, and thus low income has a payable of \$1,408,249 at March 31, 2015. **(See Note 14)**

**Note 9 - Land, Structures and Equipment**

The changes in land, structures and equipment for the year ended March 31, 2015, were as follows:

	<u>March 31, 2014</u>	<u>Additions / Deletions</u>	<u>March 31, 2015</u>
Land and Structures	\$ 76,349,860	\$	\$ 76,349,860
Leasehold Improvements	13,671,520		13,671,520
Equipment and Furniture	6,797,578	(164,667)	6,632,911
Construction in Progress	28,403,503	2,035,194	30,438,697
Less Accum. Depreciation	(62,495,577)	(1,160,549)	(63,656,126)
<b>Total Capital Assets</b>	<u>\$ 62,726,884</u>	<u>\$ 709,978</u>	<u>\$ 63,436,862</u>

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

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Changes in land, structures and equipment during the audit period consisted of increases in construction in progress, equipment purchased, property sold, and depreciation expense. Capital assets are recorded at cost. Depreciation is recorded over the useful lives of the assets using the straight-line method of depreciation. Depreciation expenses for 2015 totaled \$1,088,490.

**Note 10 - Accounts Payable**

Accounts payable totaled \$1,125,265 at March 31, 2015, which consisted of the following:

<b>Description</b>	<b>Amount</b>
Accounts Payable - Vendors	\$ 844,548
Tenant Security Deposits	123,990
Prepaid Rents	54,775
Escrows	101,952
<b>Total Accounts Payable</b>	<b>\$ 1,125,265</b>

The Authority had \$1,007,447 in interfund payables and is offset by interfund receivables.

**Note 11 - Accrued Liabilities**

Accrued liabilities totaled \$447,678, at March 31, 2015, and represented amounts due for accrued salary, vacation and sick leave as follows:

<b>Description</b>	<b>Amount</b>
Accrued Salary and Wages	\$ 91,118
Other Accrued Liabilities	198,827
Compensated Absences	157,733
<b>Total Accrued Payables</b>	<b>\$ 447,678</b>

Accrued compensated absences were \$157,733 as indicated below:

Accrued Comp. Abs - Current	65,742
Accrued Comp. Abs - Non-Current	91,991
<b>Total Accrued Compensated Abs.</b>	<b>\$ 157,733</b>

It is the Authority's policy to compensate employees for accumulated vacation leave and a portion of unused sick leave upon termination. The Authority recognizes leave taken as a current year's salary expense during the year in which the leave is taken. Both vacation and sick pay is accrued for and recognized in the financial statements as an accrued liability.



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

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**Note 12-Escrow Deposits**

The Gary Housing Authority, LLC. (GHA LLC) a limited liability company, created as an instrumentality of the Authority, entered into an agreement in September 2003, with the developers of Duneland Village, to fund the operating reserve escrow of \$258,000 and the operating reserve of \$250,000, required by the Indiana Housing Finance Authority, as a condition of tax credits. At March 31, 2015, escrow deposits amounts totaled \$926,727 which exceeds the required balance. (See Note 4)

**Note 13 - Deferred Inflow of Resources**

At March 31, 2015, deferred inflow of resources totaled \$2,890,311, and consisted of accrued interest, as shown below: (See Note 8)

Duneland Note - Due Authority	\$	2,394,760
Horance Mann Note - Due Authority		246,400
Horance Mann Note - Due GHDC		232,310
Total	\$	<u><u>2,873,470</u></u>

Due to the uncertainty created by the length of time preceding the payment of interest and the provisions of certain note that interest payments are contingent upon the existence of surplus cash, interest earned has been deferred.

**Note 14 - Notes Payable - IG**

The Authority has entered into an agreement with the Office of the HUD Inspector General to repay costs disallowed because of an audit. At March 31, 2015 the low income owed the Section 8 program \$1,408,249 as follows: See Note 8

Current Balance	\$	57,902
Non-Current Balance		1,350,347
Total	\$	<u><u>1,408,249</u></u>

**Note 15 - Bonds Payable**

The Small Farms, an agency of the Authority, has bonds outstanding totaling \$2,415,000.

Interest earned and payable is 7.4 percent. The bonds mature in 2021. As discussed in note 4, the Authority has accumulated escrow deposits of \$3,056,738, toward the payment of principal and interest. Current and non-current payments are as shown below: (See Note 4)

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

Description	Amount
Current Portion	\$ 275,000
Long-Term Portion	2,140,000
<b>Total Bonds Payables</b>	<b>\$ 2,415,000</b>

Future payment amounts are as follows:

Year End	Principal Payment	Interest Payment	Total
3/31/2016	\$ 275,000	\$ 178,710	\$ 453,710
3/31/2017	295,000	158,360	453,360
3/31/2018	320,000	136,530	456,530
3/31/2019	340,000	112,850	452,850
3/31/2020	340,000	112,850	452,850
Thereafter	845,000	1,110	846,110
<b>Total Bond Payable</b>	<b>\$ 2,415,000</b>	<b>\$ 700,410</b>	<b>\$ 3,115,410</b>

**Note 16 - Employee Benefit Plans**

The Authority established a defined contribution plan ("Plan") administered by a third-party "Billings and Company, Inc." under the City of Gary's eligibility rules and regulations for the employee benefit plans. The Plan is governed by the Code and the Treasury regulations issued there under (as they might be amended from time to time). To the extent not preempted by the Federal law, the provisions of this Plan is construed, enforced and administered according to the laws of the State of Indiana.

The Plan covers all regular employees who work for at least 90 days. The maximum contribution is 13.75% of the employee's monthly salary and the minimum employer required contribution is 7.5%. Participants' benefits are fully vested after five years of participation and are determined solely by the provisions of the Government Agency Retirement Plan and Trust. Besides retirement benefits, the Plan offers life insurance where participants receive 100% of one year's salary up until the age of 65 when the benefit is reduced by 35%.

The normal retirement date is the participants' 65<sup>th</sup> birthday. Participants may elect to retire anytime after their 55<sup>th</sup> 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. Although no employee contributions are required, employees may make voluntary contributions not to exceed 10% of their annual salary. The Authority's total payroll expense was \$2,608,388. The Authority made all required contributions to the Plan.

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

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Plan assets totaled \$2,760,726, at March 31, 2015, as follows:

<b>Description</b>	<b>Amount</b>
Beginning Balance @ 04/01/2014	\$ 2,859,063
Contributions	254,521
Withdrawals	(506,863)
Earnings	139,519
Transfers/Forfeitures	14,487
<b>Ending Balance @ 03/31/2015</b>	<b>\$ 2,760,726</b>

**Note 17 - Operating Lease Commitments**

The Authority has an operating lease for office equipment (copiers) that expires at the end of fiscal year 2016. Total lease payments were \$91,457 during 2015. The future minimum lease payments are as follows:

<b>Year End</b>	<b>Amount</b>
3/31/2016	75,192
<b>Total Lease Payable</b>	<b>\$ 75,192</b>

**Note 18 - Commitments and Contingencies**

The Authority receives financial assistance from federal government agencies in the form of grants and operating subsidies. Disbursements of funds received under these programs require compliance with terms and conditions specified in the agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. In the opinion of management, any such disallowed claims would not have a material effect on the overall financial position of the Authority. The Authority also has certain contingent liabilities resulting from litigations, claims, and commitments incident to the ordinary course of business. Management expects the final resolution of such contingencies will not have a material adverse effect on the financial position of the Authority.

**Note 19 - Administrative Fees**

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

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

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**Note 20 - Allocation of Cost**

The Authority uses the direct cost method to recognize the expenses of each project and program. The central office charges the projects and programs a management fee. This fee is recognized as income for the central office and as an expense for the projects and programs. These fees between the projects and central office are eliminated during the reporting process. Fees from the programs are not eliminated and are recognized as revenue to central office and an expense to the program. Management considers this to be an equitable method of allocation.

**Note 21-Subsequent Events**

Management has performed an analysis of activities and transactions subsequent to March 31, 2015, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended March 31, 2015. Management has performed their analysis through March 18, 2016, the date the financial statements were issued. The Authority has not evaluated events occurring after March 18, 2016, in these financial statements.

Housing Authority of the City of Gary Indiana (IN011)

GARY, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2015

	Project Total	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.870 Resident Opportunity and Supportive Services	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$559,914				\$0	\$211,274	\$771,188		\$771,188
112 Cash - Restricted - Modernization and Development					\$0				
113 Cash - Other Restricted	\$280,168	\$177,001			\$193,496		\$650,665		\$650,665
114 Cash - Tenant Security Deposits	\$171,271				\$0		\$171,271		\$171,271
115 Cash - Restricted for Payment of Current Liabilities		\$0			\$0		\$0		\$0
100 Total Cash	\$1,011,353	\$177,001	\$0	\$0	\$193,496	\$211,274	\$1,593,124	\$0	\$1,593,124
121 Accounts Receivable - PHA Projects					\$0				
122 Accounts Receivable - HUD Other Projects	\$182,775	\$84,642		\$12,619	\$0		\$280,036		\$280,036
124 Accounts Receivable - Other Government					\$0				
125 Accounts Receivable - Miscellaneous	\$273,050				\$0	\$0	\$273,050		\$273,050
126 Accounts Receivable - Tenants	\$421,312				\$0		\$421,312		\$421,312
126.1 Allowance for Doubtful Accounts - Tenants	-\$270,972	\$0			\$0		-\$270,972		-\$270,972
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current		\$57,902			\$0		\$57,902	-\$57,902	\$0
128 Fraud Recovery					\$0				
128.1 Allowance for Doubtful Accounts - Fraud					\$0				
129 Accrued Interest Receivable					\$0				
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$606,165	\$142,544	\$0	\$12,619	\$0	\$0	\$761,328	-\$57,902	\$703,426
131 Investments - Unrestricted		\$46,255			\$0		\$46,255		\$46,255
132 Investments - Restricted			\$3,708,464		\$0	\$2,206	\$3,710,670		\$3,710,670
135 Investments - Restricted for Payment of Current Liability			\$275,000		\$0		\$275,000		\$275,000
142 Prepaid Expenses and Other Assets	\$78,168	\$4,665			\$0	\$12,368	\$95,201		\$95,201
143 Inventories	\$180,093				\$0		\$180,093		\$180,093
143.1 Allowance for Obsolete Inventories	-\$18,009				\$0		-\$18,009		-\$18,009
144 Inter Program Due From	\$52,899	\$12,619			\$0	\$941,915	\$1,007,433	-\$1,007,433	\$0
145 Assets Held for Sale					\$0				
150 Total Current Assets	\$1,910,669	\$383,084	\$3,983,464	\$12,619	\$193,496	\$1,167,763	\$7,651,095	-\$1,065,335	\$6,585,760
161 Land	\$1,683,365				\$0		\$1,683,365		\$1,683,365
162 Buildings	\$112,210,255				\$0	\$735,720	\$112,945,975		\$112,945,975
163 Furniture, Equipment & Machinery - Dwellings	\$1,391,944	\$2,385	\$7,200		\$0	\$2,748	\$1,404,277		\$1,404,277
164 Furniture, Equipment & Machinery - Administration	\$5,017,554	\$133,080	\$13,061		\$0	\$513,735	\$5,677,430		\$5,677,430
165 Leasehold Improvements	\$2,053,821				\$0	\$1,803	\$2,055,624		\$2,055,624
166 Accumulated Depreciation	-\$62,960,642	-\$135,465	-\$92,033		\$0	-\$467,986	-\$63,656,126		-\$63,656,126
167 Construction in Progress	\$102,774				\$0		\$102,774		\$102,774
168 Infrastructure			\$3,223,543		\$0		\$3,223,543		\$3,223,543
160 Total Capital Assets, Net of Accumulated Depreciation	\$59,499,071	\$0	\$3,151,771	\$0	\$0	\$786,020	\$63,436,862	\$0	\$63,436,862
171 Notes, Loans and Mortgages Receivable - Non-Current		\$1,350,347	\$500,000		\$0	\$8,337,060	\$10,187,407	-\$1,350,347	\$8,837,060
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due					\$0				
173 Grants Receivable - Non Current					\$0				
174 Other Assets			\$478,710		\$0	\$2,394,760	\$2,873,470		\$2,873,470
176 Investments in Joint Ventures					\$0				
180 Total Non-Current Assets	\$59,499,071	\$1,350,347	\$4,130,481	\$0	\$0	\$11,517,840	\$76,497,739	-\$1,350,347	\$75,147,392

	Project Total	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.870 Resident Opportunity and Supportive Services	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	COCC	Subtotal	ELIM	Total
200 Deferred Outflow of Resources					\$0				
290 Total Assets and Deferred Outflow of Resources	\$61,409,740	\$1,733,431	\$8,113,945	\$12,619	\$193,496	\$12,685,603	\$84,148,834	-\$2,415,682	\$81,733,152
311 Bank Overdraft					\$0				
312 Accounts Payable <= 90 Days	\$281,965				\$0		\$281,965		\$281,965
313 Accounts Payable >90 Days Past Due	\$430,898	\$32,822			\$105	\$98,758	\$562,583		\$562,583
321 Accrued Wage/Payroll Taxes Payable	\$73,544				\$0	\$21,039	\$94,583		\$94,583
322 Accrued Compensated Absences - Current Portion	\$44,765				\$0	\$20,978	\$65,743		\$65,743
324 Accrued Contingency Liability					\$0				
325 Accrued Interest Payable					\$0				
331 Accounts Payable - HUD PHA Programs	\$0				\$0		\$0		\$0
332 Account Payable - PHA Projects					\$0				
333 Accounts Payable - Other Government					\$0				
341 Tenant Security Deposits	\$123,990				\$0		\$123,990		\$123,990
342 Unearned Revenue	\$54,775				\$0		\$54,775		\$54,775
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue			\$275,000		\$0	\$57,902	\$332,902	-\$57,902	\$275,000
344 Current Portion of Long-term Debt - Operating Borrowings					\$0				
345 Other Current Liabilities	\$15,214	\$86,738			\$0		\$101,952		\$101,952
346 Accrued Liabilities - Other	\$186,390				\$0	\$8,971	\$195,361		\$195,361
347 Inter Program - Due To	\$994,814			\$12,619	\$0		\$1,007,433	-\$1,007,433	\$0
348 Loan Liability - Current					\$0				
310 Total Current Liabilities	\$2,206,355	\$119,560	\$275,000	\$12,619	\$105	\$207,648	\$2,821,287	-\$1,065,335	\$1,755,952
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			\$2,140,000		\$0	\$1,350,347	\$3,490,347	-\$1,350,347	\$2,140,000
352 Long-term Debt, Net of Current - Operating Borrowings					\$0				
353 Non-current Liabilities - Other			\$926,727		\$0		\$926,727		\$926,727
354 Accrued Compensated Absences - Non Current	\$51,141				\$0	\$40,850	\$91,991		\$91,991
355 Loan Liability - Non Current					\$0				
356 FASB 5 Liabilities					\$0				
357 Accrued Pension and OPEB Liabilities					\$0				
350 Total Non-Current Liabilities	\$51,141	\$0	\$3,066,727	\$0	\$0	\$1,391,197	\$4,509,065	-\$1,350,347	\$3,158,718
300 Total Liabilities	\$2,257,496	\$119,560	\$3,341,727	\$12,619	\$105	\$1,598,845	\$7,330,352	-\$2,415,682	\$4,914,670
400 Deferred Inflow of Resources			\$478,710		\$0	\$2,394,760	\$2,873,470		\$2,873,470
508.3 Nonspendable Fund Balance					\$0				
508.4 Net Investment in Capital Assets	\$59,499,073		\$3,151,771		\$0	\$786,019	\$63,436,863		\$63,436,863
509.3 Restricted Fund Balance					\$0				
510.3 Committed Fund Balance					\$0				
511.3 Assigned Fund Balance					\$0				
511.4 Restricted Net Position	\$0	\$771,212	\$1,141,737		\$193,391		\$2,106,340		\$2,106,340
512.3 Unassigned Fund Balance					\$0				
512.4 Unrestricted Net Position	-\$346,829	\$842,659	\$0	\$0	\$0	\$7,905,979	\$8,401,809		\$8,401,809
513 Total Equity - Net Assets / Position	\$59,152,244	\$1,613,871	\$4,293,508	\$0	\$193,391	\$8,691,998	\$73,945,012	\$0	\$73,945,012
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$61,409,740	\$1,733,431	\$8,113,945	\$12,619	\$193,496	\$12,685,603	\$84,148,834	-\$2,415,682	\$81,733,152

Housing Authority of the City of Gary Indiana (IN011)

GARY, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2015

	Project Total	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.870 Resident Opportunity and Supportive Services	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$2,530,715				\$0		\$2,530,715		\$2,530,715
70400 Tenant Revenue - Other	\$67,875				\$0		\$67,875		\$67,875
70500 Total Tenant Revenue	\$2,598,590	\$0	\$0	\$0	\$0	\$0	\$2,598,590	\$0	\$2,598,590
70600 HUD PHA Operating Grants	\$7,828,532	\$9,872,635		\$12,619	\$379,273		\$18,093,059		\$18,093,059
70610 Capital Grants	\$1,796,582				\$0		\$1,796,582		\$1,796,582
70710 Management Fee					\$0	\$1,248,631	\$1,248,631	-\$1,248,631	\$0
70720 Asset Management Fee					\$0				
70730 Book Keeping Fee					\$0	\$242,043	\$242,043	-\$242,043	\$0
70740 Front Line Service Fee					\$0	\$66,521	\$66,521		\$66,521
70750 Other Fees					\$0				
70700 Total Fee Revenue					\$0	\$1,557,195	\$1,557,195	-\$1,490,674	\$66,521
70800 Other Government Grants					\$0				
71100 Investment Income - Unrestricted		\$211	\$1,418		\$5	\$0	\$1,634		\$1,634
71200 Mortgage Interest Income					\$0				
71300 Proceeds from Disposition of Assets Held for Sale					\$0				
71310 Cost of Sale of Assets					\$0				
71400 Fraud Recovery		\$3,670			\$0	\$262	\$3,932		\$3,932
71500 Other Revenue	\$480,348	\$46,653			\$0	\$10,584	\$537,585		\$537,585
71600 Gain or Loss on Sale of Capital Assets					\$0	\$600	\$600		\$600
72000 Investment Income - Restricted		-\$3,896	\$109,513		\$0	\$0	\$105,617		\$105,617
70000 Total Revenue	\$12,704,052	\$9,919,273	\$110,931	\$12,619	\$379,278	\$1,568,641	\$24,694,794	-\$1,490,674	\$23,204,120
91100 Administrative Salaries	\$592,507				\$0	\$435,432	\$1,027,939		\$1,027,939
91200 Auditing Fees	\$42,000	\$11,000			\$4,000	\$3,000	\$60,000		\$60,000
91300 Management Fee	\$1,220,651	\$94,104			\$41,725		\$1,356,480	-\$1,248,631	\$107,849
91310 Book-keeping Fee	\$111,310	\$130,733			\$0		\$242,043	-\$242,043	\$0
91400 Advertising and Marketing	\$1,200				\$0	\$6,427	\$7,627		\$7,627
91500 Employee Benefit contributions - Administrative	\$318,018				\$0	\$233,920	\$551,938		\$551,938
91600 Office Expenses	\$375,847	\$36,183			\$0	\$68,086	\$480,116		\$480,116
91700 Legal Expense	\$94,215	\$6,512			\$0	\$21,016	\$121,743		\$121,743
91800 Travel	\$1,650	\$436			\$0	\$2,192	\$4,278		\$4,278
91810 Allocated Overhead					\$0				
91900 Other	\$443,131	\$620,511		\$12,619	\$0	\$251,431	\$1,327,692		\$1,327,692
91000 Total Operating - Administrative	\$3,200,529	\$899,479	\$0	\$12,619	\$45,725	\$1,021,504	\$5,179,856	-\$1,490,674	\$3,689,182
92000 Asset Management Fee					\$0				
92100 Tenant Services - Salaries					\$0				
92200 Relocation Costs	\$12,075				\$0		\$12,075		\$12,075
92300 Employee Benefit Contributions - Tenant Services					\$0				
92400 Tenant Services - Other	\$36,411				\$0	\$1,591	\$38,002		\$38,002
92500 Total Tenant Services	\$48,486	\$0	\$0	\$0	\$0	\$1,591	\$50,077	\$0	\$50,077
93100 Water	\$334,328	\$224			\$0	\$18,423	\$352,975		\$352,975

	Project Total	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.870 Resident Opportunity and Supportive Services	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	COCC	Subtotal	ELIM	Total
93200 Electricity	\$925,567	\$3,285			\$0	\$48,989	\$977,841		\$977,841
93300 Gas	\$721,885	\$98			\$0	\$10,614	\$732,597		\$732,597
93400 Fuel					\$0				
93500 Labor					\$0				
93600 Sewer	\$939,747	\$576			\$0	\$5,271	\$945,594		\$945,594
93700 Employee Benefit Contributions - Utilities					\$0				
93800 Other Utilities Expense					\$0				
93000 Total Utilities	\$2,921,527	\$4,183	\$0	\$0	\$0	\$83,297	\$3,009,007	\$0	\$3,009,007
94100 Ordinary Maintenance and Operations - Labor	\$931,737	\$1,120			\$0	\$8,801	\$941,658		\$941,658
94200 Ordinary Maintenance and Operations - Materials and Other	\$272,918				\$0	\$1,785	\$274,703		\$274,703
94300 Ordinary Maintenance and Operations Contracts	\$1,478,780	\$83			\$0	\$16,798	\$1,495,661		\$1,495,661
94500 Employee Benefit Contributions - Ordinary Maintenance	\$504,582	\$642			\$0	\$5,041	\$510,265		\$510,265
94000 Total Maintenance	\$3,188,017	\$1,845	\$0	\$0	\$0	\$32,425	\$3,222,287	\$0	\$3,222,287
95100 Protective Services - Labor					\$0				
95200 Protective Services - Other Contract Costs	\$684,874				\$0		\$684,874		\$684,874
95300 Protective Services - Other					\$0				
95500 Employee Benefit Contributions - Protective Services	\$16,100				\$0		\$16,100		\$16,100
95000 Total Protective Services	\$700,974	\$0	\$0	\$0	\$0	\$0	\$700,974	\$0	\$700,974
96110 Property Insurance					\$0				
96120 Liability Insurance					\$0				
96130 Workmen's Compensation					\$0				
96140 All Other Insurance	\$635,370	\$2,982			\$0	\$38,209	\$676,561		\$676,561
96100 Total insurance Premiums	\$635,370	\$2,982	\$0	\$0	\$0	\$38,209	\$676,561	\$0	\$676,561
96200 Other General Expenses	\$4,724				\$0	\$3,766	\$8,490		\$8,490
96210 Compensated Absences					\$0				
96300 Payments in Lieu of Taxes	\$22,249				\$0		\$22,249		\$22,249
96400 Bad debt - Tenant Rents	\$34,748				\$0		\$34,748		\$34,748
96500 Bad debt - Mortgages					\$0				
96600 Bad debt - Other					\$0				
96800 Severance Expense					\$0				
96000 Total Other General Expenses	\$61,721	\$0	\$0	\$0	\$0	\$3,766	\$65,487	\$0	\$65,487
96710 Interest of Mortgage (or Bonds) Payable			\$197,580		\$0		\$197,580		\$197,580
96720 Interest on Notes Payable (Short and Long Term)					\$0				
96730 Amortization of Bond Issue Costs					\$0				
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$197,580	\$0	\$0	\$0	\$197,580	\$0	\$197,580
96900 Total Operating Expenses	\$10,756,624	\$908,489	\$197,580	\$12,619	\$45,725	\$1,180,792	\$13,101,829	-\$1,490,674	\$11,611,155
97000 Excess of Operating Revenue over Operating Expenses	\$1,947,428	\$9,010,784	-\$86,649	\$0	\$333,553	\$387,849	\$11,592,965	\$0	\$11,592,965
97100 Extraordinary Maintenance	\$0				\$0		\$0		\$0
97200 Casualty Losses - Non-capitalized	\$397,398				\$0		\$397,398		\$397,398
97300 Housing Assistance Payments		\$9,653,448			\$315,735		\$9,969,183		\$9,969,183
97350 HAP Portability-In		\$0			\$0		\$0		\$0
97400 Depreciation Expense	\$1,057,895				\$0	\$30,595	\$1,088,490		\$1,088,490



	Project Total	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.870 Resident Opportunity and Supportive Services	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	COCC	Subtotal	ELIM	Total
97500 Fraud Losses					\$0				
97600 Capital Outlays - Governmental Funds					\$0				
97700 Debt Principal Payment - Governmental Funds					\$0				
97800 Dwelling Units Rent Expense					\$0				
90000 Total Expenses	\$12,211,917	\$10,561,937	\$197,580	\$12,619	\$361,460	\$1,211,387	\$24,556,900	-\$1,490,674	\$23,066,226
10010 Operating Transfer In	\$1,386,662				\$0		\$1,386,662		\$1,386,662
10020 Operating transfer Out	-\$1,386,662				\$0		-\$1,386,662		-\$1,386,662
10030 Operating Transfers from/to Primary Government					\$0				
10040 Operating Transfers from/to Component Unit					\$0				
10050 Proceeds from Notes, Loans and Bonds					\$0				
10060 Proceeds from Property Sales					\$0				
10070 Extraordinary Items, Net Gain/Loss					\$0				
10080 Special Items (Net Gain/Loss)					\$0				
10091 Inter Project Excess Cash Transfer In					\$0				
10092 Inter Project Excess Cash Transfer Out					\$0				
10093 Transfers between Program and Project - In					\$0				
10094 Transfers between Project and Program - Out					\$0				
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$492,135	-\$642,664	-\$86,649	\$0	\$17,818	\$357,254	\$137,894	\$0	\$137,894
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$58,660,109	\$2,256,535	\$4,380,157	\$0	\$175,573	\$8,334,744	\$73,807,118		\$73,807,118
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$0		\$0	\$0	\$0		\$0
11050 Changes in Compensated Absence Balance					\$0				
11060 Changes in Contingent Liability Balance					\$0				
11070 Changes in Unrecognized Pension Transition Liability					\$0				
11080 Changes in Special Term/Severance Benefits Liability					\$0				
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents					\$0				
11100 Changes in Allowance for Doubtful Accounts - Other					\$0				
11170 Administrative Fee Equity		\$1,618,249			\$0		\$1,618,249		\$1,618,249
11180 Housing Assistance Payments Equity		-\$4,378			\$0		-\$4,378		-\$4,378
11190 Unit Months Available	22644	19776			624		43044		43044
11210 Number of Unit Months Leased	14841	17711			576		33128		33128
11270 Excess Cash	-\$1,704,097				\$0		-\$1,704,097		-\$1,704,097
11610 Land Purchases	\$0				\$0	\$0	\$0		\$0
11620 Building Purchases	\$1,431,679				\$0	\$0	\$1,431,679		\$1,431,679
11630 Furniture & Equipment - Dwelling Purchases	\$284,133				\$0	\$0	\$284,133		\$284,133
11640 Furniture & Equipment - Administrative Purchases	\$0				\$0	\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$0				\$0	\$0	\$0		\$0
11660 Infrastructure Purchases	\$0				\$0	\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$0				\$0	\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0				\$0	\$0	\$0		\$0

**SUPPLEMENTAL INFORMATION**

HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA  
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
 FOR THE YEAR ENDED MARCH 31, 2015

EXHIBIT D

FEDERAL GRANTOR	CFDA #	FEDERAL AWARDS EXPENDED	TOTAL PROGRAM EXPENDITURES
<b>Major Federal Programs - U S Department of Housing and Urban Development</b>			
<u>Low Rent Housing Program</u>			
Public and Indian Housing	14.850	\$ 6,441,870	\$ 10,842,096
Public Housing Capital Fund	14.872	3,183,245	3,183,245
Total low Rent Housing Programs		9,625,115	14,025,341
<u>Housing Assistance Payment Program</u>			
Section 8 Housing Choice Voucher Program	14.871	9,872,635	10,561,937
Total Major Federal Program		19,497,750	24,587,278
<b>Non-Major Federal Program - U S Department of Housing and Urban Development</b>			
<u>Housing Assistance Payment Program</u>			
Lower Income Housing Assistance Prog._Sec. 8 Modera	14.856	361,460	361,460
Resident Opportunity and Self Sufficiency	14.870	12,619	12,619
Total Non-Major Federal Program		374,079	374,079
<b>Total All Programs - U S Department of Housing and Urban Development</b>		<b>\$ 19,871,829</b>	<b>\$ 24,961,357</b>

See Accompanying Notes to the Schedule of Expenditure of Federal Awards

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

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

The schedule summarizes the federal funds expended by the Authority under programs of the federal government during the year ended March 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) 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 March 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 departments of the federal government, as well as federal funds passed-through to the Authority by primary recipients. The Authority provided no part of its direct grant federal dollars to sub-recipients.

**Note 3 – Sub-recipients**

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

**Note 4 – Loans Outstanding**

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

**Note 5 – Non-Cash Assistance**

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

**Note 6 – Insurance**

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

**HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA  
 STATEMENT OF CAPITAL FUND PROGRAM COST UNCOMPLETED - CURRENT  
 FOR THE YEAR ENDED MARCH 31, 2015**

**EXHIBIT E**

**ANNUAL CONTRIBUTION CONTRACT C - 348  
 PHASES IN36PO11 - 501-09, 501-10, 501-11, 501-12, AND 501-13**

	501-09	501-10	501-11	501-12	501-13	Total
Funds Approved	\$ 4,616,580	\$ 4,601,056	\$ 3,798,787	\$ 3,026,819	\$ 2,899,400	\$ 18,942,642
Funds Expended	<u>3,338,191</u>	<u>1,380,317</u>	<u>2,688,505</u>	<u>1,540,991</u>	<u>869,820</u>	<u>9,817,825</u>
Excess \ (Deficit) of Funds Approved	<u>\$ 1,278,389</u>	<u>\$ 3,220,739</u>	<u>\$ 1,110,282</u>	<u>\$ 1,485,828</u>	<u>\$ 2,029,580</u>	<u>\$ 9,124,817</u>
Funds Advanced	\$ 3,338,191	\$ 1,380,317	\$ 2,688,505	\$ 1,540,991	\$ 869,820	\$ 9,817,825
Funds Expended	<u>3,338,191</u>	<u>1,380,317</u>	<u>2,688,505</u>	<u>1,540,991</u>	<u>869,820</u>	<u>9,817,825</u>
Excess \ (Deficit) of Funds Advanced	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

- 1 Capital Fund Program costs for Phases IN 36P-501-09, 501-10, 501-11, 501-12 and 501-13 are shown above.
- 2 Cost additions totaled \$3,183,245 and were audited by VB&C.

HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA  
 STATEMENT OF CAPITAL FUND PROGRAM COST UNCOMPLETED - NON-CURRENT  
 FOR THE YEAR ENDED MARCH 31, 2015

EXHIBIT F

ANNUAL CONTRIBUTION CONTRACT C - 348 PHASES IN36PO11 - 709-99, 501-00, 501-01, AND 501-02
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	708-99	501-00	501-01	501-02	Total
Funds Approved	\$ 6,379,924	\$ 4,574,708	\$ 6,108,798	\$ 5,328,723	\$ 22,392,153
Funds Expended	<u>6,379,924</u>	<u>3,089,322</u>	<u>6,108,798</u>	<u>5,328,723</u>	<u>20,906,767</u>
Excess\ (Deficit) of Funds Approved	<u>\$ -</u>	<u>\$ 1,485,386</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,485,386</u>
Funds Advanced	\$ 6,379,924	\$ 4,574,808	\$ 6,108,798	\$ 5,328,723	\$ 22,392,253
Funds Expended	<u>6,379,924</u>	<u>3,089,322</u>	<u>6,108,798</u>	<u>5,328,723</u>	<u>20,906,767</u>
Excess\ (Deficit) of Funds Advanced	<u>\$ -</u>	<u>\$ 1,485,486</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,485,486</u>

- 1 Capital Fund Program costs for Phases IN 36P-708-99, 501-00, 501-01, and 501-02 are shown above.
- 2 There were no cost additions during the audit period and accordingly, no cost were audited by VB&C.

HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA  
 STATEMENT OF CAPITAL FUND PROGRAM COST UNCOMPLETED - NON-CURRENT  
 FOR THE YEAR ENDED MARCH 31, 2015

EXHIBIT F

ANNUAL CONTRIBUTION CONTRACT C - 348 PHASES IN36PO11 - 501-03, 501-04, AND 501-08
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	501-03	501-04	501-08	Total
Funds Approved	\$ 4,092,421	\$ 4,791,323	\$ 4,640,817	\$ 13,524,561
Funds Expended	<u>2,599,227</u>	<u>3,360,571</u>	<u>4,640,817</u>	<u>10,600,615</u>
Excess \ (Deficit) of Funds Approved	<u>\$ 1,493,194</u>	<u>\$ 1,430,752</u>	<u>\$ -</u>	<u>\$ 2,923,946</u>
Funds Advanced	\$ 4,092,421	\$ 3,360,571	\$ 4,640,817	\$ 12,093,809
Funds Expended	<u>2,599,227</u>	<u>3,360,571</u>	<u>4,640,817</u>	<u>10,600,615</u>
Excess \ (Deficit) of Funds Advanced	<u>\$ 1,493,194</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,493,194</u>

- 1 Capital Fund Program costs for Phases IN 36P-501-03, 501-04, and 501-08, are shown above.
- 2 There were no cost additions during the audit period and accordingly, no cost were audited by VB&C.

**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**

Board of Commissioners  
Housing Authority of the City of Gary, Indiana  
Gary, Indiana

U.S. Department of Housing and Urban  
Development  
Indianapolis Office  
Minton-Capehart Federal Building  
575 North Pennsylvania, Room 655  
Indianapolis, Indiana 46204

We have audited 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, the financial statements of the business-type activities, the aggregate discretely presented component units, and each major fund of the Housing Authority of the City of Gary, Indiana (the Authority) as of and for the year ended March 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 March 18, 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

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

did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies 2015-01 and 2015-02.

### **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-03.

### **The Authority's Response to Findings**

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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



Velma Butler & Company, Ltd.  
Chicago, Illinois

March 18, 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 OMB Circular A-133**

**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Housing Authority of the City of Gary, Indiana  
Gary, Indiana

U.S. Department of Housing and Urban  
Development  
Indianapolis Office  
Minton-Capehart Federal Building  
575 North Pennsylvania, Room 655  
Indianapolis, Indiana 46204

**Report on Compliance for Each Major Federal Program**

We have audited the Housing Authority of the City of Gary, 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 March 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 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.

#### **Basis for Modified Opinion on Low Income Housing Program**

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding CFDA 14.850 Low Income Housing Program as described in finding numbers 2015-1 on the weaknesses of internal control. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

#### **Modified Opinion on Low Income Housing Program**

In our opinion, except for the noncompliance described in the Basis for Modified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the housing low income housing program for the year ended March 31, 2015.

#### **Basis for Modified Opinion on Capital Fund Program**

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding CFDA 14.872 Capital Fund Program as described in finding numbers 2015-01 on the weaknesses in internal control and 2015-02 failure to comply with its check signing policy. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

#### **Modified Opinion on Capital Fund Program**

In our opinion, except for the noncompliance described in the Basis for Modified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the capital fund program for the year ended March 31, 2015.

#### **Basis for Modified Opinion on Housing Choice Voucher Program**

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding CFDA 14.871 Housing Choice Voucher as described in finding numbers 2015-01 on the weaknesses of internal control. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

#### **Modified Opinion on Housing Choice Voucher Program**

In our opinion, except for the noncompliance described in the Basis for Modified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance

requirements referred to above that could have a direct and material effect on the housing choice voucher program for the year ended March 31, 2015.

### **Other Matters**

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2015-03. Our opinion on each major federal program is modified with respect to these matters.

The Authority's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-01 to be significant deficiencies.

The Authority's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 March 31, 2015, and have issued our report thereon dated March 18, 2016, which contained a Modified 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 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 material respects in relation to the financial statements as a whole.



Velma Butler & Company, Ltd.  
Chicago, Illinois

March 18, 2016

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

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**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of report issued: **Modified**

Internal control over financial reporting:

Material weakness(es) identified?    \_\_\_ Yes     X  No

Deficiencies identified not considered to be material weaknesses?  
    X  Yes    \_\_\_ No

Noncompliance material to financial statements noted?  
    X  Yes    \_\_\_ No

*Federal Awards*

Type of report issued: **Modified**

Internal control over major programs:

Material weakness(es) identified?    \_\_\_ Yes     X  No

Deficiencies identified not considered to be material weaknesses?  
    X  Yes    \_\_\_ No

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?

X  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 Income Rental Assistance Programs	
14.850	Public and Indian Housing
14.872	Public Housing Capital Fund
Section 8 Housing Assistance Programs	
14.871	Section 8 Housing Choice Vouchers

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

Auditee qualified as low-risk auditee?                            Yes     X  No

THE HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA  
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MARCH 31, 2015

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**Section II - Financial Statement Findings and Questioned Costs**

**Finding 2015-01 Weaknesses in Internal Control (*Significant Deficiency*)**

The Housing Authority of the City of Gary, Indiana (the Authority) did not maintain adequate internal controls to assure that all transactions recorded in its accounting records were accurate.

Management is in the process of reviewing and correcting beginning account balances for prior period errors or misstatements. While the process is ongoing, some beginning account balances have not been fully vetted and thus those balances were not sufficient to allow us to place reasonable assurance on the completeness of accounting records for the balances. Accordingly, it was not practicable for us to extend our audit procedures beyond the records available to us for balances not fully vetted.

OMB Circular A-87 "Cost Principles for State, Local, and Indian Tribal Governments" requires the maintenance of a financial management system that provides accurate, current and complete disclosure of the financial results and identify adequately the source and application of funds in accordance with generally accepted accounting principles and practices consistently applied.

**Recommendation:**

We recommend that the Authority ensures its internal control for appropriately recording, processing, and reporting all transactions in the proper account and accounting period in order to maintain the accuracy of account balances and accountability for the Authority's assets, liabilities, and net position in accordance with laws, regulations and the provisions of contract and grant agreements.

**Authority Action Plan:**

The GHA concurs with the Auditors' recommendation, and has provided the Auditor with a detailed analysis of the specific account balances in question. The Authority will finalize its research of these accounts, and then make the appropriate adjustments in the 2016 fiscal year.

**Finding 2015-02 Failure in Complying with Check Signing Policy (*Significant Deficiency*)**

The Authority did not comply with its check signing and authorization policy.

Checks written in excess of \$100,000 and/or more must be hand signed by the Executive Director and the Chairman of Board Commissioner's; per its policy.

During our review of expenditures, we noted a check written in excess of \$100,000 did not have two authorized signatures.



**THE HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA  
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MARCH 31, 2015**

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The Authority should follow its written policies and procedures which were established to safeguard assets.

**Recommendation:**

The Authority follows its policy and ensures that adequate oversight and monitoring activities are properly implemented.

**Authority's Action Plan:**

The Authority concurs with the Auditors' recommendations, and will make the necessary corrections.

**THE HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA  
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MARCH 31, 2015**

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**Section III - Federal Award Findings and Questioned Costs**

The Housing Authority of the City of Gary, Indiana (the Authority) did not maintain adequate internal controls to assure that all transactions recorded in its accounting records were accurate.

Management is in the process of reviewing and correcting beginning account balances for prior period errors or misstatements. While the process is ongoing, some beginning account balances have not been fully vetted and thus those balances were not sufficient to allow us to place reasonable assurance on the completeness of accounting records for the balances. Accordingly, it was not practicable for us to extend our audit procedures beyond the records available to us for balances not fully vetted.

OMB Circular A-87 "Cost Principles for State, Local, and Indian Tribal Governments" requires the maintenance of a financial management system that provides accurate, current and complete disclosure of the financial results and identify adequately the source and application of funds in accordance with generally accepted accounting principles and practices consistently applied.

**Recommendation:**

We recommend that the Authority strengthen its monitoring to ensure its internal control for appropriately recording, processing, and reporting all transactions in the proper account and accounting period in order to maintain the accuracy of account balances and accountability for the Authority's assets, liabilities, and net position in accordance with laws, regulations and the provisions of contract and grant agreements.

**Authority Action Plan:**

The GHA concurs with the Auditors' recommendation, and has provided the Auditor with a detailed analysis of the specific account balances in question. The Authority will finalize its research of these accounts, and then make the appropriate adjustments in the 2016 fiscal year.

**Finding 2015-02 Failure in Complying with the Check Signing Policy (CFDA 14.872)**  
**(Significant Deficiency)**

The Authority did not comply with its check signing and authorization policy.

Checks written in excess of \$100,000 and/or more must be hand signed by the Executive Director and the Chairman of Board Commissioner's; per its policy.

During our review of expenditures, we noted a check written in excess of \$100,000 did not have two authorized signatures.

**THE HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA  
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MARCH 31, 2015**

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The Authority should follow its written policies and procedures which were established to safeguard assets.

**Recommendation:**

The Authority follows its policy and ensures that adequate oversight and monitoring activities are properly implemented.

**Authority's Action Plan:**

The Authority concurs with the Auditors' recommendations, and will make the necessary corrections.

**Finding 2015-03      Deficiencies in Low Income Housing Program (CFDA 14.871) Tenant File Documentation (Other Matter)**

The Authority did not maintain documentation to assure compliance with housing quality standards.

We tested forty (40) Low Income Housing Program tenant files and noted the following:

- One file did not contain a signed lease or rental agreement,

HUD Regulations requires the Authority to maintain complete and accurate tenant files, which consist of annual re-certification applications, third party verification of reported annual income, signed residential lease agreements, support for tenant rent calculations, move-in forms, resident's birth certificates, registration for housing, social security cards, and state identification forms, amount other things.

**Recommendation:**

We recommend that the Authority strengthen its record documentation and procedures to include all the required forms.

**Authority's Action Plan:**

The Authority concurs with the Auditors' recommendations. The newly hired Deputy Director of Housing Operations plans to create written policies and procedures to ensure Assets Management staff are fully aware of the appropriate HUD regulations, and GHA's performance expectations.

**THE HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MARCH 31, 2015**

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<u>Prior Year Findings</u>	<u>Status</u>	<u>Page Number</u>
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**Financial Statement Findings and Questioned Cost**

1. Weaknesses in Internal Control, 2014-01	Open (Since 2009)	47
2. Accounting Software, 2014-02	Closed	
3. Financial Statement Adjustments, 2014-03	Closed	
4. Asset Management Fees, 2014-04	Closed	-
5. Inventory of Materials, 2014-05	Closed	
6. Questioned Costs, 2014-06	Closed	
7. Payroll Reporting, 2014-07	Closed	

**Federal Award Findings and Questioned Cost**

1. Weaknesses in Internal Control, 2014-01	Open (Since 2009)	48
2. Accounting Software, 2014-02	Closed	
3. Financial Statement Adjustments, 2014-03	Closed	
4. Deficiencies in Tenant File Documentation, 2014-08	Open (Since 2009)	49
5. Housing Quality Standards, 2014-09	Closed	-
6. Deficiencies in Low Income Waiting List, 2014-10	Closed	
7. Procurement, Suspension and Debarment, 2014-11	Closed	-
8. Davis-Bacon Act, 2014-11	Closed	-

**THE HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MARCH 31, 2015**

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**Finding 2014-01      Weaknesses in Internal Control (Material Weakness)**

The Housing Authority of the City of Gary, Indiana (the Authority) did not maintain adequate internal controls to assure that all transactions were recorded in its accounting records.

Because internal controls could not provide reasonable assurance that all valid transactions were recorded, it was not practical for us to extend our audit procedures beyond the records available to us, this appears to be a systemic problem. Accordingly, the scope of our work was not sufficient to enable us to express and we do not express, an opinion on the financial statements. We noted the following:

- General ledger account balances were not supported with hard documents or they did not agree with documents provided,
- Cash balances, for multiple accounts did not agree with the reconciliation schedules,
- Construction in progress costs were recorded in building costs,
- Accounts payables amounts did not agree with aging reports or the general ledgers,
- Compensated absences did not agree with supporting schedules.
- Prior year accruals were not reversed and were still included in current year liabilities' balances,
- Invoices received before year end were not entered as accounts payable,
- Unrecorded prior year expenses were recorded as current year expenditures.

**Finding 2014-02      Accounting Software Usage (Material Weakness)**

The Authority did not maintain adequate accounting records to provide sufficient information for the preparation of basic financial statements. The Authority did not assure that its accounting records constituted a system that could produce complete and accurate financial records during fiscal year 2015, and this appears to be a systemic problem.

The Authority implemented the Yardi accounting software systems to record accounting transactions in April 2012. However, it did not assure that the system was properly used by its personnel in recording financial data. Information in the Yardi system did not agree with the supporting documentation.

**THE HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA  
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OMB Circular A-87 "Cost Principles for State, Local, and Indian Tribal Governments" requires the maintenance of a financial management system that provides accurate, current and complete disclosure of the financial results and identify adequately the source and application of funds in accordance with generally accepted accounting principles and practices consistently applied.

**Finding 2014-03      Financial Statement Adjustments (*Material Weakness*)**

The Authority did not sufficiently review its cash, accounts payable, accruals, income, or expense balances before closing its books. During the audit, we noted general ledger balances that did not agree with supporting documents. The effect of the incorrect balances overstated or understated the Authority's financial position at year-end, and this appears to be a systemic problem.

OMB Circular A-87 "Cost Principles for State, Local, and Indian Tribal Governments" requires the maintenance of a financial management system that provides accurate, current and complete disclosure of the financial results and identify adequately the source and application of funds in accordance with generally accepted accounting principles and practices consistently applied.

**Finding 2014-04      Failure in Complying with Check Signing and Authorization Policy (*Significant Deficiencies*)**

The Authority did not comply with its check signing and authorization policy, and this appears to be a systemic problem. Check written in an amount of \$100,000 and/or more must be hand signed by the Executive Director and the Chairman of Board Commissioner's; per its policy.

During our review of expenditures, we found that a check in which exceeded \$100,000 that did not have two authorized signatures.

HUD (7460.8 REV-2) requires to establish and follow a written procurement policy that is consistent with 24 CFR 85.36. Each contract or purchase action that obligates the PHA to pay a contractor or vendor must be signed by an appropriate authorization to ensure controls in monitoring contractor performance and acceptance or rejection of contractors' requests for changes in performance, specifications, or price are in place.

**Finding 2014-05      Inventory of Materials (*Significant Deficiencies*)**

The Authority did not perform a physical inventory, as required by HUD, and therefore inventory records of materials in the Authority's warehouse were not properly maintained, and this appears to be a systemic problem. The general ledger balances did not correctly reflect the inventory balances at March 31, 2015.

Additionally, the Authority did not have written policies and procedures for inventory controls. Thus, required periodic physical inventory counts were not conducted in order to maintain accurate inventory record.

**THE HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MARCH 31, 2015**

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Inventory records should reflect inventory quantities on-hand, along with the underlying values. Underlying records should reconcile to the general ledger and any differences should be investigated and reconciled in a timely manner.

HUD (2235.7 REV-2) requires that all owned and rented reportable property must be inventoried once a year. Capitalized, non-capitalized, and rented reportable property shall be inventoried concurrently.

**Finding 2014-06      Payroll Reporting (Significant Deficiencies)**

The Authority did not reconcile the 941 quarterly payroll reports to the salary expense recorded in the general ledger, and this appears to be a systemic problem.

The Federal government requires the 941 reports as part of the payroll function to ensure proper reporting and payment of wages and payroll taxes. The effect of not reconciling these reports back to the general ledger could impact wages and payroll taxes being overstated or understated at year-end.

**Section III - Federal Award Findings and Questioned Costs**

**Finding 2014-07      Weaknesses in Internal Control (CFDA 14.850, 14.871, 14.872) (Material Weakness)**

The Housing Authority of the City of Gary, Indiana (the Authority) did not maintain adequate internal controls to assure that all transactions were recorded in its accounting records.

Because internal controls could not provide reasonable assurance that all valid transactions were recorded, it was not practical for us to extend our audit procedures beyond the records available to us. Accordingly, the scope of our work was not sufficient to enable us to express and we do not express, an opinion on the financial statements. We noted the following:

- General ledger account balances were not supported with hard documents or they did not agree with documents provided,
- Cash balances, for multiple accounts did not agree with the reconciliation schedules,
- Construction in progress costs were recorded in building costs,
- Accounts payables amounts did not agree with aging reports or the general ledgers,
- Compensated absences did not agree with supporting schedules.

**THE HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MARCH 31, 2015**

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- Prior year accruals were not reversed and were still included in current year liabilities' balances,
- Invoices received before year end were not entered as accounts payable,
- Unrecorded prior year expenses were recorded as current year expenditures.

OMB Circular A-87 "Cost Principles for State, Local, and Indian Tribal Governments" requires the maintenance of a financial management system that provides accurate, current and complete disclosure of the financial results and identify adequately the source and application of funds in accordance with generally accepted accounting principles and practices consistently applied.

**Finding 2014-08 Failure in Complying with the Check Signing and Authorization Policy (CFDA 14.850) (Significant Deficiencies)**

The Authority did not comply with its check signing and authorization policy. Check written in an amount of \$100,000 and/or more must be hand signed by the Executive Director and the Chairman of Board Commissioner's; per its policy.

During our review of expenditures, we found that a check in which exceeded \$100,000 that did not have two authorized signatures.

HUD (7460.8 REV-2) requires to establish and follow a written procurement policy that is consistent with 24 CFR 85.36. Each contract or purchase action that obligates the PHA to pay a contractor or vendor must be signed by an appropriate authorization to ensure controls in monitoring contractor performance and acceptance or rejection of contractors' requests for changes in performance, specifications, or price are in place.

**Finding 2014-09 Lack of an Approved Annual Operating Budget (CFDA 14.850) (Significant Deficiencies)**

The Authority did not have an approved budget for the fiscal year 2015. An annual budget should be established before the start of fiscal year for expenditures from restricted resources at the level the resources were restricted to ensure that available resources were not overspent.

Adoption of a timely budget allows the Authority to use budget numbers as a reference against which to compare expenditures and revenues throughout the year. As such, the budget provides an ongoing financial management tool to ensure that the Authority spends within its means and balances expenditures against revenues.

HUD (Form-53012A) requires that the housing authority to prepare and have approved by its Board of Commissioners an operating budget using forms prescribed by HUD. The housing



**THE HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
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authority shall submit a calculation of operating subsidy eligibility in the manner prescribed by HUD in regulations in Title 24 of the Code of Federal Regulations.

**Finding 2014-10      Deficiencies in Public and Indian Housing Program (CFDA 14.850)  
Tenant File Documentation (Other Matter)**

The Authority did not maintain documentation to assure compliance with housing quality standards.

We tested twenty (20) low income housing tenant files and noted the following:

- One file did not contain Annual Inspection of Unit Forms,
- One file did not have Annual Reexamination of Family Status and Family Income Verification Forms,
- One file did not include social security numbers of those in the household, and
- Two files did not contain the HUD Form 9886.

HUD Regulations requires the Authority to maintain complete and accurate tenant files, which consist of annual re-certification applications, third party verification of reported annual income, signed residential lease agreements, support for tenant rent calculations, move-in forms, resident's birth certificates, registration for housing, social security cards, and state identification forms, amount other things.

**Finding 2014-11      Deficiencies in Public and Indian Housing Program (CFDA 14.850)  
Waiting List (Other Matter)**

The Authority did not comply with the admission and occupancy policy for its waiting list.

We tested twenty (20) new applicant files that were placed on the low-rent program waiting list during fiscal year 2015.

We noted the following:

- Three applicant files could not be located.
- Three application files' unit sizes were not determined correctly as follows:
  - i) one applicant was assigned a 3-bedroom unit; but should have been assigned to a 2-bedroom unit;
  - ii) one applicant was assigned a 2-bedroom unit; but should have been assigned to a 1-bedroom unit; and
  - iii) one applicant file did not contain a unit determination.

**THE HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
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- Four application files were missing all or some of the following: a date and time stamp on the application, admission preference, race and ethnicity of the family head, household type, the unit sized request, and the social security number of the head of household.

Title 24 CFR 960.206(e) provides that the method for selecting applicants must leave a clear audit trail that can be used to verify that each applicant was selected in accordance with the Authority's Admission and Occupancy Policy. The waiting list format should contain sufficient information to allow the PHA to properly select families who are next eligible for the housing program according to the selection policy described in the administrative plan.

The Authority must maintain waiting lists for selecting applicants; process tenant applications properly to ensure all applications were processed in accordance with HUD requirements.

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

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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 GARY, INDIANA  
STATEMENT OF COMPLIANCE WITH  
PUBLIC HOUSING ASSESSMENT SYSTEM  
FOR THE YEAR ENDED MARCH 31, 2015**

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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.