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April 30, 2013

Board of Directors
Housing Authority of East Chicago
4920 Larkspur Drive, P.O. Box 498
East Chicago, IN 46312

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period January 1, 2010 to December 31, 2010. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Housing Authority of East Chicago, as of December 31, 2010 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

**HOUSING AUTHORITY
OF THE CITY OF EAST CHICAGO
EAST CHICAGO, INDIANA**

**REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS AND
SUPPLEMENTAL DATA**

**TWELVE MONTHS ENDED
DECEMBER 31, 2010**

**HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
EAST CHICAGO, INDIANA**

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Independent Auditor's Report

Board of Commissioners
Housing Authority of the City of East Chicago
East Chicago, Indiana

I have audited the accompanying financial statements of Housing Authority of the City of East Chicago, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

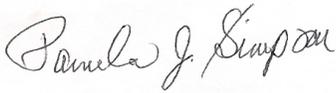
In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Housing Authority of the City of East Chicago, as of December 31, 2010 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 11, 2011, on my consideration of the Housing Authority of the City of East Chicago's internal control over financial reporting and my 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 my testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 3 through 14, are not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements of the Housing Authority of the City of East Chicago, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the Housing Authority of the City of East Chicago. The accompanying financial data schedule and other additional statements and schedules listed as supplemental data in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Housing Authority of the City of East Chicago. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Decatur, Illinois
August 11, 2011



Certified Public Accountant

As management of the Housing Authority of the City of East Chicago (the Authority), we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2010. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to Beatriz L. Martinez, Executive Director of the Housing Authority of the City of East Chicago, 4920 Larkspur Drive, P.O. Box 498, East Chicago, Indiana 46312, (219) 397-9974 ext. 35.

Overview of the Financial Statements

The financial statements included in this annual report are those of a "special-purpose" government engaged in a business-type activity. The following statements are included:

- **Statement of Net Assets** (similar to a Balance Sheet) – reports the Authority's current financial resources (short term spendable resources) with capital assets and long-term debt obligations. The statement is presented in the format where "Assets" minus "Liabilities" equals "Net Assets", *formerly known as Equity*. Assets and liabilities are presented in order of liquidity and are classified as "Current" (convertible into cash within one year) and "Non-Current".
- **Statement of Revenues, Expenses, and Changes in Net Assets** (similar to an Income Statement) reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions. The focus of this financial statement is on the "Change in Net Assets" which is similar to Net Income or Loss.
- **Statement of Cash Flows** – reports the Authority's net cash flows from operating, investing, capital and non-capital activities.
- **Comparison of budget vs. actual** – reports the Authority's actual operating revenues and expenses versus the budgeted amounts.

The focus is now on major funds rather than fund types. The Authority consists of one (1) Proprietary fund that encompasses all of the Authority's programs. This Proprietary fund includes all assets and liabilities using the full accrual basis of accounting. Accrual accounting is similar to the accounting used by most private sector companies which recognizes revenues and expenses when earned regardless of when cash is received or paid. The fund maintained by the Authority is required by the Department of Housing and Urban Development (HUD) with segregated programs to enhance accountability and control.

The attached analysis of entity wide net assets, revenues, and expenses are provided to assist with determining whether the financial position of the Authority as a whole is improving or deteriorating as a result of the year's activities. One can think of the Authority's net assets as the difference between what the Authority *owns* (assets) to what the Authority *owes* (liabilities). To fully assess the financial health of any Authority the reader must also consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of the Authority's capital assets.

HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING DECEMBER 31, 2010

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The following is a brief description of the major business-type activities the Authority provides:

Low Income Public Housing (LIPH)

The Low Income Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD that allows the Authority to rent units it owns to low-income households at a rent that is based upon 30% of household income. The Housing Authority owns 806 units at 6 sites grouped into 4 Asset Management Projects (AMP) throughout the city of East Chicago, IN. The James Hunter site (AMP001) has 109 elderly units, John B. Nicosia site (AMP002) has 206 elderly units with 1 non dwelling unit, West Calumet site (AMP003) has 346 family units, Harbor Scattered Sites (AMP004) has 102 family units, Columbus Drive site (AMP004) has 17 family units, and New Harbor Scattered Sites (AMP004) has 25 family units. The Authority is responsible for the management and maintenance of all units and sites. On an annual basis, the Authority submits a request for funding known as the Operating Fund Calculation of Operating Subsidy. The basic concept of the Calculation of Operating Subsidy is that the Authority has formula expenses consisting of a Project Expense Level, Utilities Expense Level, and Add-ons. HUD will fund these formula expenses based upon occupied and HUD approved vacant units less formula income.

Section 8 Housing Choice Voucher (Section 8 Vouchers)

HUD has contracted with the Housing Authority through an Annual Contributions Contract (ACC) to provide funding for 636 Housing Choice Vouchers. The Authority pays Housing Assistance Payments to independent landlords for a lease that sets the low income participant's rent at 30% of adjusted income. The Housing Assistance Payment matches the difference between the total rent the Landlord can charge, at or below a fair market rent amount supplied by HUD, and the amount the tenant can pay. HUD pays the Authority a formula based administrative fee for all vouchers the Authority leases. The Authority is not responsible for the upkeep and maintenance of the units and properties associated with this program.

Lower Income Housing Assistance Program (Section 8 Moderate Rehabilitation Program)

HUD has contracted with the Housing Authority through an Annual Contributions Contract (ACC) to provide funding for 59 Moderate Rehabilitation (Mod Rehab) units. The program was repealed in 1991 and no new projects were authorized for development. This program provides project-based rental assistance for low income families limited to properties previously rehabilitated. The Authority currently has 59 units under contract with Harbor Realty Group and pays Housing Assistance Payments (HAP) for a lease that sets the participant's rent at 30% of household adjusted income. The Housing Assistance Payment matches the difference between the total rent the Landlord can charge, at or below a fair market rent amount supplied by HUD, and the amount the tenant can pay. For each unit the Authority administers, HUD pays the Authority an administrative fee. When vacancies occur in Mod Rehab units, the Authority refers eligible families from its waiting list to Harbor Realty Group who then selects and screens families for occupancy. The Authority is not responsible for the upkeep and maintenance of the units and property associated with this program.

Capital Fund Program (CFP)

This grant program is awarded by HUD on an annual basis and is the primary funding source for physical and management improvements to the Authority's properties. The Authority requisitions funds from HUD as the Authority expends funds. The Authority has two years to obligate and four years to fully expend an annual award and one year to obligate and two years to expend for the A.R.R.A. formula stimulus award.

Economic Factors

Significant economic factors affecting the Authority are as follows:

1. Since the discontinuance of the HUD Public Housing Drug Elimination Program (PHDEP) Grant in 2002, the Authority has kept the program going in 2010 by partnering with Geminus to administer and fund the program through the use of grants administered by Geminus.
2. Overall federal funding for the Department of Housing and Urban Development (HUD) was increased by Congress for 2010 appropriations and as a result, the Authority was funded at 103% resulting in a \$77,320 or 15% increase for public housing eligible operating subsidies versus a loss of revenues in 2009 of \$362,330.
3. Even though funding was increased in 2010 by \$46,103 or 1% for the Sec 8 Voucher Choice Program, the Authority leased 86% (down 2% from 2009) by the end of the year leaving a restricted net assets balance of \$142,838. The agency decreased leasing and reduced payment standards to keep the program afloat going into 2011 as HAP funding was decreased throughout half of the year in 2010 which had a negative impact on administrative revenue needed to administer the program.
4. The Agency was awarded ARRA stimulus funds of \$1,885,325 in 2009 and 47 jobs were created by the end of the 4th quarter of 2010, with \$504,291 spent in 2009 and \$1,374,148 spent in 2010 towards renovations and roof replacements of various units in West Calumet, James Hunter Senior Building and Scattered Sites to provide safe, decent and sanitary housing for our residents.
5. Due to the economy officially designated in 2008 as in a recession (a trend that has continued since 2002), local labor supply and demand, which affects local inflationary, recessionary and employment trends, salary and wage rates, unemployment has continued to rise in 2010 affecting resident incomes.

Condensed Comparative Entity-Wide Financial Statements

The following table reflects the condensed Statement of Net Assets compared to the prior year for Business-Type Activities.

TABLE 1
STATEMENT OF NET ASSETS

	2010	2009	Net Change	Percent Variance
Cash	3,451,168	2,756,737	694,431	25.2%
Other Current Assets	1,008,718	915,900	92,818	10.1%
Capital Assets	5,068,321	3,953,404	1,114,917	28.2%
Total Assets	9,528,207	7,626,041	1,902,166	24.9%
Current Liabilities	1,183,375	929,230	254,145	27.4%
Long Term Liabilities	47,968	35,657	12,311	34.5%
Total Liabilities	1,231,343	964,887	266,456	27.6%
Net Invested in Capital Assets	5,068,321	3,953,404	1,114,917	28.2%
Restricted Net Assets	142,838	23,159	119,679	516.8%
Unrestricted Net Assets	3,085,705	2,684,591	401,114	14.9%
Total Net Assets	8,296,864	6,661,154	1,635,710	24.6%

***Major Factors Affecting
The Statement of Net Assets***

Cash increased primarily due to a \$123,161 increase of Cash-other restricted for HAP payments plus an increase of \$571,570 in Cash-unrestricted just as **Current Liabilities** also increased by \$254,145.

Other Current Assets increased by \$92,818 or 10.1% primarily due to a \$98,010 increase in **accounts receivable-HUD** for Capital funds expended but not yet drawn.

Capital assets also changed significantly, increasing \$1,114,917 or 28.2% attributed to a combination of acquisitions in the amount of \$1,999,017 less current year depreciation of (\$764,421) minus the increase in restricted nets assets of \$119,679. For more detail, see the analysis of capital assets activity in table 5.

Restricted Net Assets increased \$119,679 or 516.8% due a decrease in lease up of vouchers throughout 2010.

Unrestricted Net Assets increased by \$401,114 or 14.9% primarily due to a gross operating income of \$2,400,131 (excluding a \$764,421 depreciation expense) offset by \$1,999,017 for capital expenditures. Table 2 below presents details on the change in **Unrestricted Net Assets**.

HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING DECEMBER 31, 2010

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TABLE 2
CHANGE OF UNRESTRICTED NET ASSETS

Unrestricted Net Assets 12/31/09		\$ 2,684,591
Results of Operatons	1,635,710	
Adjustments:		
Depreciation (1)	<u>764,421</u>	
Adjusted Results of Operations		2,400,131
Capital Expenditures		<u>(1,999,017)</u>
Unrestricted Net Assets 12/31/10		<u>\$ 3,085,705</u>

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets.

While the result of operations is a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer change in financial well-being.

HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING DECEMBER 31, 2010

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The following table compares the revenues and expenses for the current and previous fiscal year for Business-type activities.

TABLE 3

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	2010	2009	Net Change	Percentage Change
Total Tenant Revenue	1,589,949	1,501,795	88,154	6%
HUD Operating Grants	7,616,842	7,203,499	413,343	6%
Capital Grants	1,881,573	252,910	1,628,663	644%
Other Government Grants	1,000	0	1,000	100%
Investment Income	3,786	4,352	-566	-13%
Fraud Recovery	19,518	19,355	163	1%
Other Revenue	148,212	89,420	58,792	66%
Gain/loss on Sale of Fixed Assets	11,903	700	11,203	1600%
Total Revenue	11,272,783	9,072,031	2,200,752	24%
Expenses				
Administrative	1,952,959	1,960,543	-7,584	0%
Tenant Services	109,694	236,444	-126,750	-54%
Utilities	531,206	598,134	-66,928	-11%
Maintenance	1,592,467	1,731,030	-138,563	-8%
Protective Service	335,285	331,739	3,546	1%
General Expense	587,275	408,254	179,021	44%
Extraordinary Maintenance	0	0	0	0%
Casualty Losses	2,075	0	2,075	100%
Housing Assistance Payments	3,761,691	3,828,651	-66,960	-2%
Depreciation Expense	764,421	851,885	-87,464	-10%
Total Expenses	9,637,073	9,946,680	-309,607	-3%
Net Income (Loss)	1,635,710	-874,649	2,510,359	-287%

Major Factors Affecting

The Statement of Revenue, Expenses, and Changes in Net Assets

Total revenue increased 24% overall. **Total Tenant Revenue** increased by 6% due to an increase in leasing. **HUD Operating Grants** revenue increased by 6% due to an increase in Public Housing operating draws from the Capital Funds in addition to an increase in operating subsidy revenue. **Capital Grants** revenue increase of 644% was due to the Authority under-taking a more aggressive modernization program in the current fiscal year with A.R.R.A. Stimulus funding for West Calumet (AMP 3) roof replacements and vacancy reduction. **Other Government Grants** increased 100% due to funding received from Lake County to assist with the tenant service summer programs. **Other Revenue** increased 66% due to dividends from liability insurance and additional Cricket cellular rooftop lease.

HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
 MANAGEMENT DISCUSSION AND ANALYSIS
 FISCAL YEAR ENDING DECEMBER 31, 2010

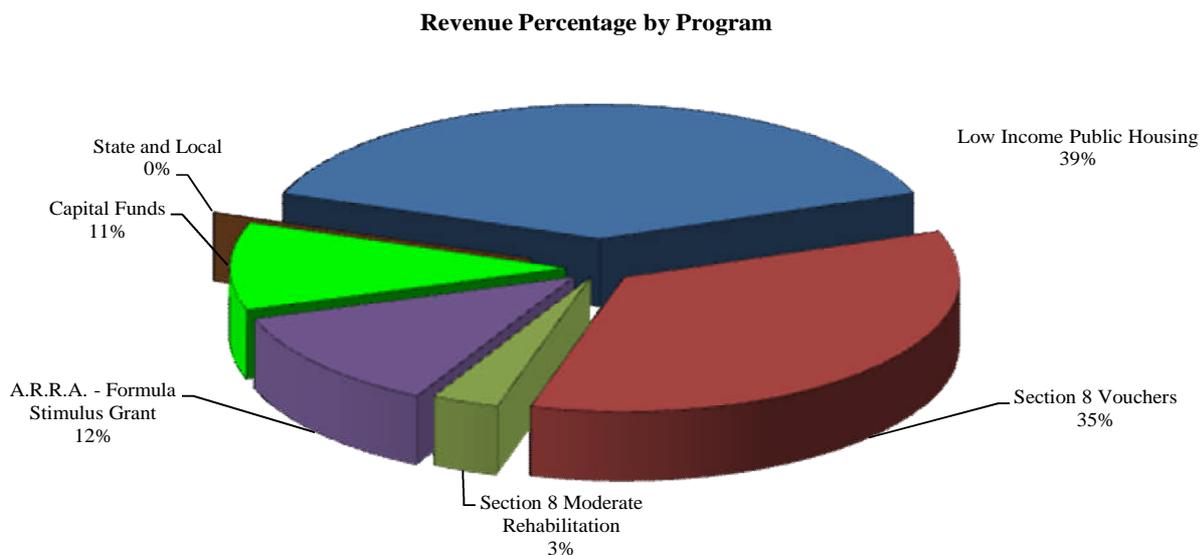
Gain/Loss on Sale of Fixed Assets increased 1600% due to excess insurance proceeds from the loss of a West Calumet maintenance vehicle that was not replaced during the current year.

Overall, **total expenses**, including depreciation, decreased approximately 3%. **Tenant Services** decreased by 54% due to termination of the summer program employees and activities in 2010. **Utilities** decreased 11% due to relatively milder summer and winter than anticipated. **Maintenance** decreased 8% due to reduction in maintenance staff. **General Expense** increased 44% due to a decrease in accrued compensated absences. **Housing Assistance Payments** decreased 2% due to decrease in leasing and a change in payment standards. **Depreciation Expense** decreased 10% due to several assets becoming fully depreciated in prior year.

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2010 were as follows:

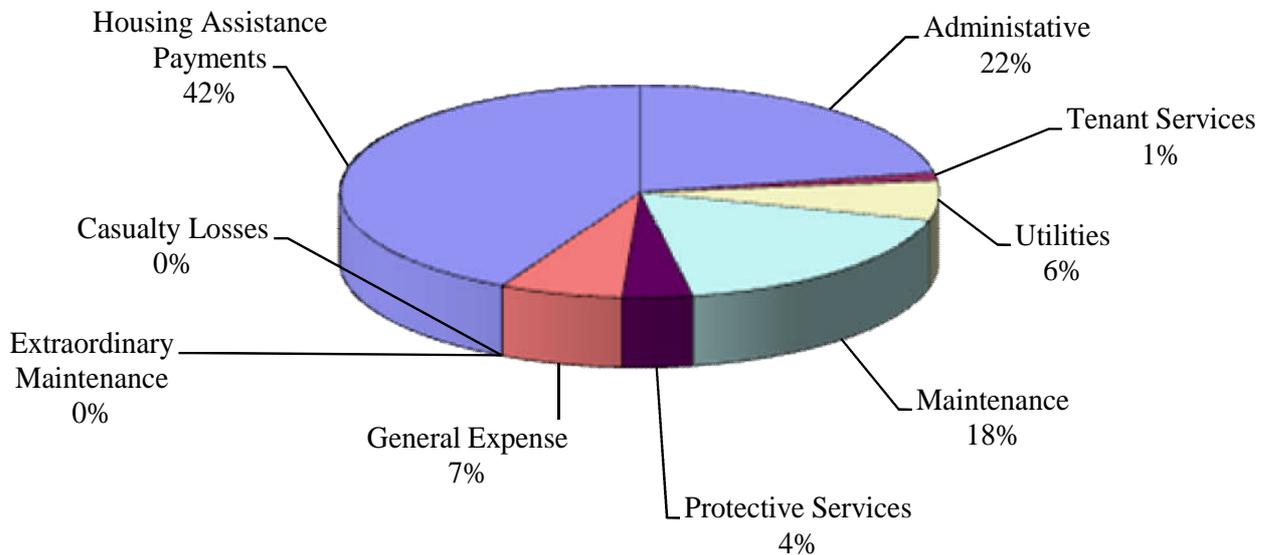
<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$4,375,300
A.R.R.A. – Formula Stimulus Grant	\$1,374,148
Section 8 Vouchers	\$3,958,538
Section 8 Moderate Rehabilitation	\$363,513
Capital Funds	\$1,200,284
State and Local	\$1,000

The diagram below illustrates the percentage of revenues generated by these programs for Fiscal Year Ending December 31, 2010:



The diagram below illustrates the percentage of Authority expenditures by categories excluding Depreciation Expense for Fiscal Year Ending December 31, 2010:

Expenses by Category



Budgetary Analysis

The Authority adopts individual annual operating budgets approved by the board of commissioners for all projects and programs. The budgets for Low Income Public Housing and the Section 8 Programs are adopted on the basis of accounting prescribed by HUD which differs in some respects from generally accepted accounting principles.

The Authority prepares a budget for each fiscal year of the Capital Fund Grant Program that is approved by HUD. The Authority is permitted two years to obligate and four years to expend these funds. Income is only recognized as funds are expended. For the purpose of this analysis, the amount budgeted is equal to the actual expense.

HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING DECEMBER 31, 2010

The highlights below compare the variances between the original and final budgets as well as between the final budget and the actual amounts.

Table 4

Housing Authority Budgetary Highlights

	Percent Variance	Budget Variance	Original Budget	Final Budget	Actual	Actual Variance	Percent Variance
Tenant Revenue	-2%	-30,050	1,593,140	1,563,090	1,589,949	26,859	2%
HUD Operating Grants	4%	264,141	6,452,969	6,717,110	7,616,842	899,732	12%
HUD Capital Grants	0%	0	1,881,573	1,881,573	1,881,573	0	0%
Other Government Grants	0%	0	0	0	1,000	1,000	0%
Investment Income-Unrestricted	0%	0	3,980	3,980	3,679	-301	-8%
Investment Income-Restricted	0%	0	0	0	107	107	0%
Fraud Recovery	0%	0	22,100	22,100	19,518	-2,582	-12%
Other Revenue	39%	34,560	53,280	87,840	148,212	60,372	68%
Gain/Loss on Sale of Asset	0%	0	0	0	11,903	11,903	0%
Total Revenue	3%	268,651	10,007,042	10,275,693	11,272,783	997,090	9%
Administrative	0%	-852	2,061,809	2,060,957	1,952,959	-107,998	-5%
Tenant Services	-13%	-24,073	205,770	181,697	109,694	-72,003	-40%
Utilities	4%	25,260	590,155	615,415	531,206	-84,209	-14%
Maintenance	11%	173,974	1,462,108	1,636,082	1,592,467	-43,615	-3%
Protective Services	2%	6,050	326,152	332,202	335,285	3,083	1%
General Expense	-13%	-50,930	453,820	402,890	587,275	184,385	45%
Casualty Losses	0%	0	0	0	2,075	2,075	100%
Housing Assistance Payments	-1%	-39,091	3,763,760	3,724,669	3,761,691	37,022	1%
Depreciation Expenses	-133%	-880,705	1,542,920	662,215	764,421	102,206	15%
Total Expenses	-8%	-790,367	10,406,494	9,616,127	9,637,073	20,946	0%
Net Income/(Loss)	161%	1,059,018	-399,452	659,566	1,635,710	976,144	-148%

Results of Operations

Management revised individual and entity wide budgets that originally anticipated a loss of \$399,452 to a \$659,566 net income reflecting a \$1,059,018 decrease to anticipated losses primarily due to anticipated decrease in depreciation expense of \$880,705. Actual results of operation was a net income of \$1,635,710 resulting in an increase of \$976,144 or 148% more than anticipated primarily due to the \$899,732 increase in HUD Operating Grants revenues.

HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING DECEMBER 31, 2010

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Tenant Rental Revenues was over revised budget by \$26,859 or 2% reflecting tenants paying higher rents than anticipated.

HUD Operating Grants were over revised budget by \$899,732 or 12% primarily due to \$931,828 received for HAP revenue greater than anticipated.

Other Government Grants were over budget by \$1,000 due to a Lake County grant received for teen scene latchkey activities not budgeted for.

Investment Income-Unrestricted was under revised budget by \$301 or 8% due to less interest earned than anticipated. **Investment Income-Restricted** was over budget by \$107 due to interest income on the general fund due to HUD for HAP reserves not originally budgeted for.

Fraud Recovery was under budget by \$2,582 or 12% due to the Authority earning less income from Section 8 fraud recoveries than anticipated.

Other Revenue was over revised budget by \$60,372 or 68% primarily due to \$17,400 for additional Cricket cell phone tower rental and \$32,279 dividend return on premium for housing insurance property coverage not originally budgeted.

Gain/Loss on Sale of Asset was over budget by \$11,903 or 100% primarily due to settlement received on AMP 3 maintenance vehicle involved in an accident that was not replaced.

Administrative expenses were under budget by \$107,998 or 5% primarily due to \$100,400 for employment benefits being less than anticipated for employer's share of annual health insurance premium increase.

Tenant Service was under budget by \$72,003 or 40% primarily due to the cancellation of the summer worker program.

Utilities were under revised budget by \$84,209 or 14% due to actual cost of gas, water and electricity being less than anticipated due to a relatively milder summer and winter than anticipated.

Maintenance was under revised budget by \$43,615 or 3% primarily due to understaffing of employees during later part of year for AMP 3 due to retirements and terminations and employment benefits being less than anticipated for employer's share of health insurance annual premium increase.

General Expense was over revised budget by \$184,385 or 45% primarily due to a decrease in accrued compensated absences.

Casualty loss was over budget by \$2,075 primarily due to \$1,800 for AMP 3 fire damage balance not recoverable from insurance.

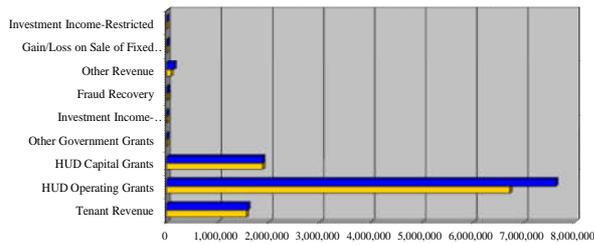
Housing Assistance Payments were over revised budget by \$37,022 or 1% due to an increase in actual rent payments for port outs not absorbed even though occupancy decreased from 88% to 85% from previous year.

HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
 MANAGEMENT DISCUSSION AND ANALYSIS
 FISCAL YEAR ENDING DECEMBER 31, 2010

Depreciation Expenses were over revised budget by \$102,206 or 15% due to depreciation on assets added during the year for roof replacements not originally budgeted for.

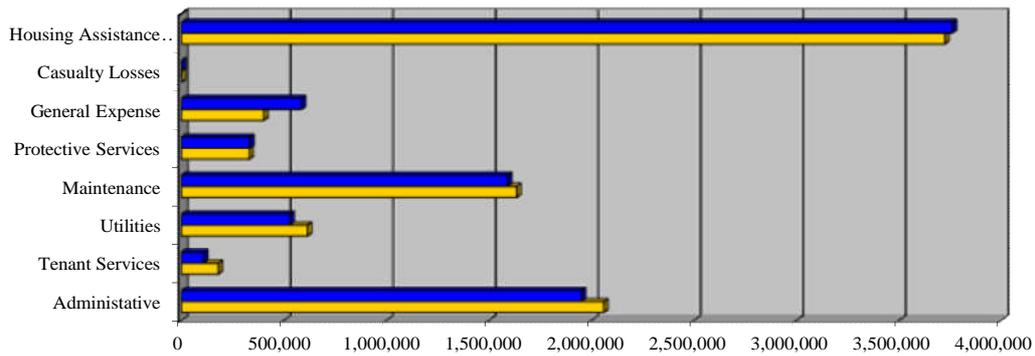
The diagrams below illustrate the Authority's Budget compared to Actual for Revenue and Expense for Fiscal Year Ending December 31, 2010:

Revenues - Budget Vs. Actual



	Tenant Revenue	HUD Operating Grants	HUD Capital Grants	Other Government Grants	Investment Income-Unrestricted	Fraud Recovery	Other Revenue	Gain/Loss on Sale of Fixed Assets	Investment Income-Restricted
■ Actual	1,589,949	7,616,842	1,881,573	1,000	3,679	19,518	148,212	11,903	107
■ Budget	1,563,090	6,717,110	1,881,573	0	3,980	22,100	87,840	0	0

Expenses - Budget Vs. Actual



	Administrative	Tenant Services	Utilities	Maintenance	Protective Services	General Expense	Casualty Losses	Housing Assistance Payments
■ Actual	1,952,959	109,694	531,206	1,592,467	335,285	587,275	2,075	3,761,691
■ Budget	2,060,957	181,697	615,415	1,636,082	332,202	402,890	0	3,724,669

HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING DECEMBER 31, 2010

As of the end of the year, the Authority had \$5,068,321 invested in a variety of capital assets as reflected in the following table which represents a net increase (additions, deductions, and depreciation) of \$1,114,917 or 28.2% from the end of the previous fiscal year.

Table 5
ANALYSIS OF CAPITAL ASSET ACTIVITY

	2010	2009	Net Change	Percent Variance
Land	974,719	974,719	0	0.0%
Buildings	38,724,416	37,185,560	1,538,856	4.1%
Furniture, Equipment, & Machinery	1,011,891	1,028,675	-16,784	-1.6%
Site Improvements	1,412,917	1,352,409	60,508	4.5%
Total Fixed Assets	42,123,943	40,541,363	1,582,580	3.9%
Accumulated Depreciation	-37,456,582	-36,710,575	746,007	2.0%
Construction in Progress	400,960	122,616	278,344	227.0%
Net Fixed Assets	5,068,321	3,953,404	1,114,917	28.2%

Buildings increased by \$1,538,856 or 4.1% primarily due to \$1,357,590 for dwelling unit and \$38,275 for main office roof replacements at AMP 3 West Calumet 29-6; \$12,748 for garage roof replacement at AMP 1 Hunter Senior Building 29-1; \$16,215 for drain line repairs and \$23,550 for structural panel repairs at AMP 2 Nicosia Senior Building 29-5; \$40,365 roof replacements and \$23,944 for furnace replacements at AMP 4 29-2 Scattered Sites.

Furniture, Equipment, & Machinery decreased by \$16,784 or 1.6% primarily due to the removal of a maintenance vehicle involved in a casualty loss that was not replaced at AMP 3.

Site Improvements increased by \$60,508 or 4.5% primarily due to \$57,745 for dumpster enclosures for AMP 3 West Calumet.

Accumulated Depreciation increased by \$746,007 or 2.0% primarily due to current year's depreciation expense of \$764,421.

Construction in Progress increased by \$278,344 or 227% primarily due to \$175,185.40 for security room/lobby upgrade at AMP 2 John B. Nicosia Senior Building and \$21,849 for roof replacements at AMP 3 West Calumet Complex. This increase also represents the various modernization activities from the Capital Funds program in progress on various sites of the Authority. As individual capital fund grants are completely expended and closed out, modernization costs are then transferred to the fixed asset accounts.

**HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
EAST CHICAGO, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AS OF DECEMBER 31, 2010**

ASSETS

Current Assets

Cash and cash equivalents	\$ 3,295,879
Accounts receivable (interfund eliminated)	683,501
Inventory - net of allowance	202,116
Deferred charges	<u>123,101</u>

Total Current Assets \$ 4,304,597

Restricted Assets

Cash	\$ <u>155,289</u>
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Total Restricted Assets \$ 155,289

Capital Assets

Land, buildings and equipment	\$ 42,524,903
Less: Accumulated depreciation	<u>-37,456,582</u>

Net Capital Assets \$ 5,068,321

TOTAL ASSETS \$ 9,528,207

LIABILITIES

Current Liabilities

Accounts payable (interfund eliminated)	\$ 595,770
Accrued liabilities	445,497
Tenant security deposits	138,115
Deferred revenue	<u>3,993</u>

Total Current Liabilities \$ 1,183,375

Noncurrent Liabilities

Accrued compensated absences	\$ 35,517
FSS escrow	<u>12,451</u>

Total Noncurrent Liabilities \$ 47,968

TOTAL LIABILITIES \$ 1,231,343

NET ASSETS

Unrestricted net assets	\$ 3,085,705
Restricted	142,838
Invested in capital assets	<u>5,068,321</u>

TOTAL NET ASSETS \$ 8,296,864

The notes to financial statements are an integral part of this statement.

**HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
EAST CHICAGO, INDIANA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2010**

Operating Income

Tenant Income

Tenant rental revenue	\$ 1,487,557
Tenant revenue - other	<u>102,392</u>
Total Tenant and Other Rental Income	<u>\$ 1,589,949</u>

Non-Tenant Income

HUD grants - operating	\$ 7,616,842
Other government grants	1,000
Fraud recovery	19,518
Other revenue	148,212
Gain or loss on sale of capital assets	<u>11,903</u>
Total Non-Tenant Income	<u>\$ 7,797,475</u>

Total Operating Income \$ 9,387,424

Operating Expenses

Administration	\$ 1,952,959
Tenant services	109,694
Utilities	531,206
Ordinary maintenance and operation	1,592,467
General expense	587,275
Protective services	335,285
Casualty losses	2,075
Housing assistance payments	3,761,691
Depreciation	<u>764,421</u>

Total Operating Expenses \$ 9,637,073

Net Operating Income (Loss) \$ -249,649

Nonoperating Income (Expenses)

HUD grants - capital	\$ 1,881,573
Interest income	<u>3,786</u>

Total Nonoperating Income (Expenses) \$ 1,885,359

Changes in net assets \$ 1,635,710

Net assets, beginning of year 6,661,154

Net Assets, end of year \$ 8,296,864

**HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
EAST CHICAGO, INDIANA**

**COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2010**

Operating Activities

Operating subsidy	\$ 7,292,406
Tenant revenue	1,569,034
Other revenues	179,633
Housing assistance payments	-3,761,691
Payments to employees	-1,982,138
Payments to suppliers and contractors	<u>-2,608,834</u>

Net Cash Provided (Used) by Operating Activities	<u>\$ 688,410</u>
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Investing Activities

Interest income	<u>\$ 3,786</u>
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Net Cash Provided (Used) by Investing Activities	<u>\$ 3,786</u>
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Capital and Related Financing Activities

HUD grants - capital	\$ 1,881,573
(Additions) deletions to capital assets	<u>-1,879,338</u>

Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ 2,235</u>
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Net Change in Cash	\$ 694,431
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Cash Balance at December 31, 2009	<u>2,756,737</u>
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Cash Balance at December 31, 2010	<u><u>\$ 3,451,168</u></u>
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**HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
EAST CHICAGO, INDIANA**

**COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2010**

**Reconciliation of Operating Income (Loss) to Net Cash
Provided (Used) by Operating Activities**

Net operating income (loss)	\$ -249,649
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	764,421
(Increase) decrease in accounts receivable	-104,290
(Increase) decrease in deferred charges	-380
(Increase) decrease in inventories	11,852
Increase (decrease) in accounts payable	314,460
Increase (decrease) in accrued liabilities	227,832
Increase (decrease) in deferred revenues	-267,815
Increase (decrease) in other liabilities	<u>-8,021</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 688,410</u>

**HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
EAST CHICAGO, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2010**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Housing Authority was established January 25, 1965 by the City of East Chicago pursuant to the laws of the State of Indiana, as a municipal corporation (IC36-7-18-14), to transact business and to have powers as defined therein to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other applicable Federal Agencies.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering low-rent housing programs in the United States. Accordingly, HUD has entered into a contract with the Authority for the purpose of assisting in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the program for the purpose of maintaining its low-rent character.

In evaluating the Authority as a reporting entity, management has addressed its relationship with the City of East Chicago and concluded the City does not maintain an oversight responsibility for the Authority's operations. However, the Housing Authority is a related organization to the City of East Chicago since an independent seven member Board of Commissioners appointed and removed by the Mayor of the City of East Chicago, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the City does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority.

Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Housing Authority of the City of East Chicago is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements. The Housing Authority has no active component units.

(b) Method of Accounting -

The financial statements of the Housing Authority have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

The Housing Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements, in which case, GASB prevails.

**HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
EAST CHICAGO, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2010
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

Although a formal policy has not been adopted, in financial statement preparation the Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are tenant rents and HUD grants. Operating expenses include administration, maintenance, insurance, depreciation, utilities, housing assistance payments and other general expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

(d) Funds -

Each of the programs of the Housing Authority are organized on a basis of fund accounting, using a separate set of self balancing accounts as prescribed by HUD. The programs of the Housing Authority are:

- * Low Rent Public Housing (Amps)
- * COCC
- * Section 8 Choice Vouchers
- * Section 8 Moderate Rehabilitation
- * Capital Fund Program
- * Formula Capital Fund Stimulus Grant
- * State and Local

These programs are all accounted for within the 'Proprietary' (enterprise) fund as described below:

Proprietary Fund Types:

Proprietary funds use the economic resources measurement focus and utilize the accrual basis of accounting. All assets and liabilities associated with a proprietary fund's activities are included on the fund statement. Proprietary fund equity is segregated into Invested in Capital Assets Net of Related Debt, Restricted Net Assets and Unrestricted Net Assets.

(e) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Housing Authority considers all highly liquid investments to be cash equivalents. Highly liquid assets are those with a maturity of less than one (1) month at date of purchase.

(f) Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. These receivables and payables are classified as "due from other programs" or "due to other programs" on the combining statement of net assets and have been eliminated in the basic financial statements.

**HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
EAST CHICAGO, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2010
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at December 31, 2010, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority semi-annually writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables for lease end participating tenants and the determination that the receivable will not be collected.

(h) Inventories and Materials -

Inventories and materials are stated at cost which approximates market determined on a first-in, first-out basis.

(I) Investments -

Investments are stated at cost which approximates market.

(j) Fixed Assets -

For the purpose of determining, distinguishing and recording materials and non-expendable equipment and personal property purchased or acquired in connection with development, management, and maintenance of public housing developments owned or operated, the Housing Authority follows the following capitalization policy:

If the initial cost of a piece of equipment and/or other personal property is five hundred dollars (\$500) or more and the anticipated life or useful life of said equipment or property is more than one (1) year, the same shall be capitalized and recorded as non-expendable equipment and charged as a capital expenditure.

Land, buildings and equipment contains the following:

- 1) The total development construction costs incurred for each project at the end of the initial operating period,
- 2) nonexpendable equipment, and
- 3) property betterments and additions
- 4) land acquisitions.

**HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
EAST CHICAGO, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2010
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(j) Fixed Assets - (Continued)

These are recorded at cost. Depreciation of property and equipment is provided using the straight line method for financial reporting purposes at rates based on the following estimates:

Buildings	27-1/2 years
Equipment	5 years
Transportation equipment	5 years
Furniture and fixtures	5 years
Leasehold improvements	10 years

A "half-year" convention will be utilized whereby one-half year of depreciation is recorded in the year of acquisition and the year of disposition.

(k) Net Assets -

GASB Statement 34 requires the classification of net assets into three components as defined below:

- 1) Invested in capital assets, net of related debt - this component of net assets consists of capital assets, net of accumulated depreciation, costs to be recovered from future revenues and unamortized debt expense reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- 2) Restricted - this component of net assets consist of constraints placed on net assets use through external constraints imposed by creditors, contributors or laws and regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- 3) Unrestricted - this component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(l) Income Tax -

The Authority, organized as a local municipal corporation subsidized by the Federal government, is exempt from Federal and State income taxes.

**HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
EAST CHICAGO, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2010
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(m) Annual Contributions/Subsidies and Other Grants

Annual contributions and subsidies received from the Department of HUD are recorded as grant revenues.

Other grants (such as CFP grants) are recognized when program expenditures are incurred. Such revenue is subject to review by the Department of Housing and Urban Development and may result in disallowance in subsequent periods.

- (n) The Housing Authority adopts a budget annually. The budget is submitted to the Board of Commissioners for approval. Subsequent budget revisions may also be required to be submitted for approval.
- (o) The preparation of financial statements in conformity with generally accepted accounting principles require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- (p) Leasing activities (as lessor) - the Authority is the lessor of dwelling units mainly to low income and/or elderly and disabled residents. The rents under the lease are determined generally by the resident's income as adjusted by eligible deductions regulated by HUD, although the resident may elect for a flat rent option. Leases may be cancelled by the lessee at any time with proper notice. The Authority may cancel the lease only for cause.
- (q) Rental income is recognized as rents become due.
- (r) At any time during the year and at year end, there are construction projects in process. These projects include modernizing rental units. The projects are funded by HUD and funds are requested periodically as costs are incurred.

Note 2 - Related Party Transactions

The East Chicago Housing Authority shared certain employees and office expenses throughout 2010 with the City of East Chicago Department of Redevelopment (a city department). Both entities share office space and the same payroll department, who are Housing Authority employees, with separate Board of Directors appointed by the Mayor of the City of East Chicago. The expenses of the payroll department are allocated and reimbursed using time sheet allocations, while all other expenses are either direct costs to each entity or allocated using the number of programs in the office or the number of staff by program for certain shared office expenses such as telephone, utilities, etc. Reimbursements occur weekly, however, any unreimbursed expenses incurred by the City of East Chicago's Department of Redevelopment for payroll, fringe benefits and certain other expenses through December 31, 2010 were reflected on the Central Office Cost Center's balance sheet as account receivable - other government in the amount of \$15,869.

**HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
EAST CHICAGO, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2010
(CONTINUED)**

Note 3 - Cash and Investments

Statutes authorize the Housing Authority to invest in certificates of deposit, money market funds, United States government securities and repurchase agreements fully collateralized by United States government securities.

All cash and investments are insured up to \$200,000 by the Federal Deposit Insurance Corporation (FDIC) or other equivalent insurance company of the depository financial institutions. The deposits exceeding the insured or registered limits are public funds covered by the State of Indiana Public Deposit Fund.

Custodial Credit Risk

- a. Deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned to or that the Authority will not be able to recover collateral securities in the possession of an outside party.
- b. Investments - Custodial credit risk is the risk that in the event of the failure of the depository, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party.

Credit Risk Investments, Concentration of Credit Risk and Interest Rate Risks - Investments

Credit Risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Housing Authority has no investment policy that limits its investment choices other than the limitation of state law and/or the Department of Urban Development regulations.

Concentrations of Credit Risk is the risk of loss attributed to the amount of the investment in a single issuer. The Authority does not have a formal investment policy covering the concentration of credit risk.

Investment Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Housing Authority has no formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
EAST CHICAGO, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2010
(CONTINUED)**

Note 3 - Cash and Investments (Continued)

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 - Deposits which are insured or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Authority's name.

Category 3 - Deposits which are not collateralized or insured.

Based on the three levels of risk, all of the Housing Authority's funds are classified as Category 1.

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent (AMPS & COCC)	\$ 3,139,927	\$ 3,177,318
Voucher	216,687	229,874
Mod Rehab	<u>94,554</u>	<u>94,554</u>
Total	<u>\$ 3,451,168</u>	<u>\$ 3,501,746</u>

Note 4 - Compensated Absences

As of January 1, 1998 existing employees no longer accrue vacation time monthly. Vacation hours an employee is entitled to for the current year are placed into a new bank for immediate use (does not include new employees with less than one year of service). New employees must wait until their one year anniversary to take vacation. This new bank of vacation time must be taken in full by the end of the current year or it is lost. If an employee leaves the agency before the end of the year due to retirement, termination, resignation, job elimination, etc., the new bank of vacation hours will be calculated on an accrual basis based upon regular time actually worked and any excess vacation hours taken will be deducted from the final paycheck.

Employee's vacation hours as of December 31, 1997 were placed into an old bank but will not be used until they have used all of their new vacation bank. Unused vacation time from the old bank as of December 31, 1997 will carryover from year to year until fully exhausted. Maximum vacation hours from the old bank if an employee is entitled to if they leave the agency is still 360 hours. For all compensated absences, the liability is valued at the pay rates in effect at the end of the Authority's fiscal year.

**HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
EAST CHICAGO, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2010
(CONTINUED)**

Note 4 - Compensated Absences (Continued)

Vacation leave must be requested at least two weeks in advance with available time verified by accounting and approved by the supervisor and the executive director. Vacation time is taken in increments of hours only (i.e. no quarter, half, and three-fourths hours).

Employees can accumulate a maximum of 240 hours of sick leave. For every three months the accumulated sick leave is consistently 240 hours, the employee earns 8 additional hours of vacation leave the following month. Since the Authority has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Annual Leave

- A. Annual leave requests are granted on a seniority basis based on years of employment. Employees are required to take annual leave in the year in which it is received. Annual leave will not be advanced to employees except at the discretion of the executive director. Newly hired employees are not entitled to annual leave until they have successfully completed one full year of employment, except at the discretion of the executive director.
- B. All permanent full-time administrative employees shall receive a paid vacation after one full year of employment. Paid vacations will be granted as follows to employees according to years of service:

½ on January 16; ½ on July 16
Less than 5 years - 12 days annually
More than five years but less than 10 years - 18 days annually
Ten years or more - 24 days annually

All permanent full-time maintenance employees shall receive a paid vacation after one full year of employment. Paid vacations will be granted as follows to employees according to years of service:

½ on January 16; ½ on July 16
Less than 5 years - 10 days annually
More than 5 years but less than 15 years - 15 days annually
Fifteen years or more - 20 days annually

Accumulation of Vacation Time

Cumulative maximum carryover of unused leave at the beginning of any leave year may not exceed forty-five (45) days of vacation accrual for any employee, if applicable.

**HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
EAST CHICAGO, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2010
(CONTINUED)**

Note 5 - Defined Contribution Plan

The Housing Authority provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Housing Authority contributions forfeited by employees who leave employment prior to vesting are used to reduce current costs and contribution requirements. For the fiscal year ended December 31, 2010, the actual contributions by the Housing Authority were \$318,359. Total annual payroll expense was \$2,015,215.

Life Associates, Inc. Money Purchase Plan

This agreement together with the Life Associates Inc. basic defined contribution plan constitutes amendment No. 1 to the Plan.

Eligible Employee

An eligible employee is an employee of the Housing Authority that meets the requirements employed in the following employment classification: i) paid on a salaried basis, ii) paid on a commission basis, iii) paid on an hourly basis. Is customarily employed for at least 20 hours per week, for at least 5 months per year.

Employer Contributions and Forfeitures

Contributions are made for each person who was an active member at anytime since the last contribution date. The amount of the employer contribution for such person shall be calculated as of the contribution date and shall be equal to 14.70% of their monthly pay.

Vesting Percentage

Vesting percentage is used to determine the nonforfeitable percentage of a member's account resulting from contributions. The vesting percentage for a member who is an employee on or after the date he reaches normal retirement age or early retirement age shall be 100%. The vesting percentage for a member who is an employee on the date they become totally disabled or dies shall be 100%.

Member's account resulting from our contributions is subject to the vesting schedule selected below:

<u>Vesting Service</u>	<u>Vesting Percentage</u>
Less than 1 year	50
1 year	60
2 years	70
3 years	80
4 years	90
5 years or more	100

**HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
EAST CHICAGO, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2010
(CONTINUED)**

Note 6 - Accounts Receivable - Net of Allowance

Accounts receivable consists of the following accounts:

HUD	\$ 616,723
Tenants accounts receivable (net)	34,636
Fraud recovery (net)	5,741
Other	<u>26,401</u>
Subtotal	\$ 683,501
Interfund	<u>255,004</u>
Total	<u>\$ 938,505</u>

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	\$ 121,443
Other	<u>1,658</u>
Total	<u>\$ 123,101</u>

Note 8 - Fixed Assets

Balance as of December 31, 2010	\$ 5,068,321
Balance as of December 31, 2009	<u>3,953,404</u>
Net Increase (Decrease)	<u>\$ 1,114,917</u>

Reconciliation

Property betterments and additions	\$ 1,877,708	
Dispositions	-15,102	
Replacement of equipment	16,732	
Depreciation expense	<u>-764,421</u>	*
Net Increase (Decrease)	<u>\$ 1,114,917</u>	

*Current year depreciation expense recognized.

**HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
EAST CHICAGO, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2010
(CONTINUED)**

Note 8 - Fixed Assets (Continued)

<u>Analysis</u>	<u>01/01/2010 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>12/31/2010 Balance</u>
Land	\$ 974,719	\$ 0	\$ 0	\$ 974,719
Buildings	37,185,560	1,538,856	0	38,724,416
Equipment and furniture	1,028,675	16,732	33,516	1,011,891
Leasehold improvements	1,352,409	60,508	0	1,412,917
Construction in progress	<u>122,616</u>	<u>278,344</u>	<u>0</u>	<u>400,960</u>
Total	\$ 40,663,979	\$ 1,894,440	\$ 33,516	\$ 42,524,903
Accumulated depreciation	<u>-36,710,575</u>	<u>18,414</u>	<u>764,421</u>	<u>* -37,456,582</u>
Total	<u>\$ 3,953,404</u>	<u>\$ 1,912,854</u>	<u>\$ 797,937</u>	<u>\$ 5,068,321</u>

Note 9 - Notes Payable

On August 4, 1987, the U.S. Department of Housing and Urban Development (HUD) issued notice PIH 87-212 to implement the provisions of the Housing and Community Development Reconciliation Amendments of 1985 (PL 99-272, enacted April 7, 1986). This notice states, in part, the following:

Project debt to HUD (HUD-held notes) will be forgiven after a debt forgiveness amendment to the consolidated Annual Contributions Contract has been executed by HUD and the Public Housing Authority and after the Actual Development Cost Certificate has been included in an audit and approved.

As a part of the HUD mandated GAAP conversion and the above referenced notice, all HUD-held notes were recorded as debt forgiveness during a prior fiscal year.

Note 10 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 506,417
Accounts payable - HUD	41,577
Other	<u>47,776</u>
Subtotal	\$ 595,770
Interfund	<u>255,004</u>
Total	<u>\$ 850,774</u>

**HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
EAST CHICAGO, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2010
(CONTINUED)**

Note 11 - Accrued Liabilities

At December 31, 2010 the following accounts were accrued:

<u>Current Portion:</u>	
Payroll and payroll taxes	\$ 104,670
Accrued liabilities - other	98,502
PILOT	<u>242,325</u>
Total Current Portion	<u>\$ 445,497</u>
 <u>Noncurrent Portion:</u>	
Accrued compensated absences	<u>\$ 35,517</u>
Total	<u><u>\$ 481,014</u></u>

Note 12 - Deferred Revenues

This classification consists of the following accounts:

Tenants prepaid rent	<u><u>\$ 3,993</u></u>
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Note 13 - Administrative Fee

The PHA receives an "Administrative Fee" as part of the annual contribution from HUD to cover the costs (including overhead) of administering the HAP Program. The Moderate Rehabilitation administrative fees are calculated using a variable rate per HUD. The Voucher rate is determined annually by HUD.

Note 14 - Allocation of Costs

The PHA allocated some expenses not attributable to a specific program to all programs under management. The basis for these allocations varied with the type of expenses as management deemed equitable.

Note 15 - Contingencies

Federal Grants

In the normal course of operations, the Housing Authority receives grant funds from the Department of Housing and Urban Development. The programs are subject to audit by agents of HUD, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

**HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
EAST CHICAGO, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2010
(CONTINUED)**

Note 16 - Contracts/Commitments

As of December 31, 2010, the Housing Authority had entered into the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended To Date</u>
CFP 501-07	\$ 1,460,629	\$ 1,239,060
CFP 501-08	1,489,431	1,098,409
CFP 501-09	1,470,810	609,884
CFP 501-10	1,468,174	232,238
A.R.R.A. - Stimulus Grant 501-09	<u>1,885,325</u>	<u>1,878,439</u>
Total	<u>\$ 7,774,369</u>	<u>\$ 5,139,030</u>

Note 17 - Risk Management

The Housing Authority carries commercial insurance coverage to cover exposure and the risk of losses related to torts, thefts, damages, destruction of assets, errors and omissions, injuries, natural disasters and defalcation.

For insured programs there has been no significant reduction in insurance coverage. Settled claims have not exceeded insurance coverage or the risk pool coverage in the current or past three years.

Note 18 - Economic Dependency

The Housing Authority received most of its revenue (84%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

Note 19 Contracts/Commitments

As of December 31, 2010, the Housing Authority had entered into the following operating lease obligation:

<u>Lease Obligations</u>	<u>Lease Term</u>	<u>Monthly Payment</u>
Konica/Minolta Digital Copier	36 months	\$ 470
Pitney Bowes	36 months	\$ 1,075

SUPPLEMENTAL DATA

**HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
EAST CHICAGO, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Public and Indian Housing*	14.850a	C-651	FYE 12/31/10	\$ 2,654,642	\$ 2,654,642	\$ 2,654,642
Lower Income Housing Assistance Program - Moderate Rehabilitation*	14.856	C-2030K	FYE 12/31/10	\$ 361,642	\$ 361,642	\$ 361,642
Housing Choice Voucher Program*	14.871	C-2030V	FYE 12/31/10	\$ 3,907,699	\$ 3,907,699	\$ 3,905,909
Public Housing - Capital Fund*	14.872	C-651	FYE 12/31/10	\$ 5,889,044	\$ 1,200,284	\$ 1,200,284
A.R.R.A. Formula Capital Fund Stimulus Grant*	14.885	C-651	FYE 12/31/10	\$ 1,885,325	\$ 1,374,148	\$ 1,374,148
Total Federal Assistance				<u>\$ 14,698,352</u>	<u>\$ 9,498,415</u>	<u>\$ 9,496,625</u>

*Denotes major program.

**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 East Chicago
East Chicago, Indiana

I have audited the financial statements of Housing Authority of the City of East Chicago as of and for the year ended December 31, 2010, and have issued my report thereon dated August 11, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

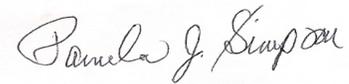
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Authority of the City of East Chicago's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of Housing Authority of the City of East Chicago in a separate letter dated August 11, 2011.

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, and Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature of Pamela J. Simpson in cursive script.

Certified Public Accountant

Decatur, Illinois
August 11, 2011

Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Commissioners
Housing Authority of East Chicago
East Chicago, Indiana

Compliance

I have audited Housing Authority of the City of East Chicago'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 Housing Authority of the City of East Chicago's major federal programs for the year ended December 31, 2010. Housing Authority of the City of East Chicago's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Housing Authority of the City of East Chicago's management. My responsibility is to express an opinion on Housing Authority of the City of East Chicago's compliance based on my audit.

I conducted my 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. Those standards and OMB Circular A-133 require that I 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 Housing Authority of the City of East Chicago's compliance with those requirement and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Housing Authority of the City of East Chicago's compliance with those requirements.

In my opinion, Housing Authority of the City of East Chicago complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. The results of my auditing procedures disclosed instances of noncompliance with those requirements.

Internal Control Over Compliance

Management of Housing Authority of the City of East Chicago is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Housing Authority of the City of the City of East Chicago's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance 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, I do not express an opinion on the effectiveness of Housing Authority of the City of East Chicago's internal control over compliance.

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

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

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



Certified Public Accountant

Decatur, Illinois
August 11, 2011

**HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
EAST CHICAGO, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit for the period ended December 31, 2009 contained no audit findings.

**HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
EAST CHICAGO, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2010**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report: Unqualified

* Material weakness(es) identified? _____ yes X no

* Significant deficiency (ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? _____ yes X no

* Significant deficiency (ies) identified? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.850a	Public and Indian Housing
14.856	Lower-Income Housing Assistance Program - Moderate Rehabilitation
14.871	Housing Choice Voucher Program
14.872	Public Housing - Capital Funds
14.885	A.R.R.A. - Formula Capital Fund Stimulus Grant

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

Auditee qualified as low-risk auditee? X yes _____ no

**HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
EAST CHICAGO, INDIANA**

CURRENT FINDINGS AND RECOMMENDATIONS

Section II - Financial Statement Audit Findings

There were no financial statement audit findings discussed with Beatriz L. Martinez, Executive Director, Sharon Johnson, Director of Finance and other members of management, during the course of the audit or at an exit conference held August 11, 2011.

Section III - Federal Award Audit Findings

There were no federal award audit findings discussed with Beatriz L. Martinez, Executive Director, Sharon Johnson, Director of Finance and other members of management, during the course of the audit and at an exit conference held August 11, 2011.

**HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
EAST CHICAGO, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
DECEMBER 31, 2010**

<u>Amp 1</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Vendor payable	2111	\$ 16,328.73		2111
Accrued liabilities - other	2139		\$ 16,328.73	2139
(To reclassify accrued utilities from vendor payable to accrued liabilities - other per FDS Cross Walk)				
(2)				
Compensated absence expense	4550	\$ 8,004.36		2806
Administrative salaries	4110		\$ 3,887.02	2806
Administrative employee benefits	4182		296.90	2806
Tenant services salaries	4210		333.56	2806
Tenant services employee benefits	4222		25.57	2806
Maintenance salaries	4410		3,215.38	2806
Maintenance employee benefits	4433		245.93	2806
(To reclassify accrued compensated salaries paid in 2010)				
<u>Amp 2</u>				
(1)				
Vendor payable	2111	\$ 39,480.99		2111
Accrued liabilities - other	2139		\$ 39,480.99	2139
(To reclassify accrued utilities from vendor payable to accrued liabilities - other per FDS Cross Walk)				
(2)				
Compensated absence expense	4550	\$ 28,755.23		2806
Administrative salaries	4110		\$ 16,127.11	2806
Administrative employee benefits	4182		1,233.34	2806
Tenant services salaries	4210		630.73	2806
Tenant services employee benefits	4222		48.34	2806
Maintenance salaries	4410		9,954.38	2806
Maintenance employee benefits	4433		761.33	2806
(To reclassify accrued compensated salaries paid in 2010)				
<u>Amp 3</u>				
(1)				
Vendor payable	2111	\$ 38,239.13		2111
Accrued liabilities - other	2139		\$ 38,239.13	2139
(To reclassify accrued utilities from vendor payable to accrued liabilities - other per FDS Cross Walk)				

**HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
EAST CHICAGO, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
DECEMBER 31, 2010**

<u>Amp 3 (Continued)</u>	<u>Audit</u> <u>Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting</u> <u>Account Number</u>
(2)				
Compensated absence expense	4550	\$ 73,862.01		2806
Administrative salaries	4110		\$ 12,655.05	2806
Administrative employee benefits	4182		968.05	2806
Tenant services salaries	4210		42,835.57	2806
Tenant services employee benefits	4222		3,277.17	2806
Maintenance salaries	4410		13,122.37	2806
Maintenance employee benefits	4433		1,003.80	2806
(To reclassify accrued compensated salaries paid in 2010)				

Amp 4

(1)				
Vendor payable	2111.12	\$ 1,353.75		2111.12
Vendor payable	2111.17	2,291.08		2111.17
Accrued liabilities - other	2139.12		\$ 1,353.75	2139.12
Accrued liabilities - other	2139.17		2,291.08	2139.17
(To reclassify accrued utilities from vendor payable to accrued liabilities - other per FDS Cross Walk)				

(2)				
Compensated absence expense	200-4550	\$ 16,736.42		2806.02
Compensated absence expense	700-4550	2,255.78		2806.07
Compensated absence expense	900-4550	3,638.37		2806.09
Administrative salaries	200-4110		\$ 8,127.41	2806.02
Administrative salaries	700-4110		1,095.43	2806.07
Administrative salaries	900-4110		1,766.83	2806.09
Administrative employee benefits	200-4182		620.80	2806.02
Administrative employee benefits	700-4182		83.67	2806.07
Administrative employee benefits	900-4182		134.96	2806.09
Tenant services salaries	200-4210		697.44	2806.02
Tenant services salaries	700-4210		94.02	2806.07
Tenant services salaries	900-4210		151.62	2806.09
Tenant services employee benefits	200-4222		53.45	2806.02
Tenant services employee benefits	700-4222		7.22	2806.07
Tenant services employee benefits	900-4222		11.62	2806.09
Maintenance salaries	200-4410		6,723.07	2806.02
Maintenance salaries	700-4410		906.14	2806.07
Maintenance salaries	900-4410		1,461.54	2806.09
Maintenance employee benefits	200-4433		514.25	2806.02
Maintenance employee benefits	700-4433		69.30	2806.07
Maintenance employee benefits	900-4433		111.80	2806.09
(To reclassify accrued compensated salaries paid in 2010)				

**HOUSING AUTHORITY OF THE CITY OF EAST CHICAGO
EAST CHICAGO, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
DECEMBER 31, 2010**

<u>COCC</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Depreciation expense	4800	\$ 4,415.50		2801
Accumulated depreciation	1400.95		\$ 4,415.50	1400.95
(To reverse JV3279; adjust accounts to depreciation schedule)				
(2)				
Vendor payable	2111	\$ 404.19		2111
Accrued liabilities - other	2139		\$ 404.19	2139
(To reclassify accrued utilities from vendor payable to accrued liabilities - other per FDS Cross Walk)				
(3)				
Compensated absence expense	4550	\$ 39,108.03		2806
Administrative salaries	4110		\$ 36,328.98	2806
Administrative employee benefits	4182		2,779.05	2806
(To reclassify accrued compensated salaries paid in 2010)				
<u>Mod Rehab</u>				
(1)				
Vendor payable	2111	\$ 32.34		2111
Accrued liabilities - other	2139		\$ 32.34	2139
(To reclassify accrued utilities from vendor payable to accrued liabilities - other per FDS Cross Walk)				
(2)				
Compensated absence expense	4550	\$ 1,424.17		2806
Administrative salaries	4110		\$ 1,322.77	2806
Administrative employee benefits	4182		101.40	2806
(To reclassify accrued compensated salaries paid in 2010)				
<u>Voucher</u>				
(1)				
Vendor payable	2111	\$ 371.87		2111
Accrued liabilities - other	2139		\$ 371.87	2139
(To reclassify accrued utilities from vendor payable to accrued liabilities - other per FDS Cross Walk)				
(2)				
Compensated absence expense	4550	\$ 16,377.99		2806
Administrative salaries	4110		\$ 15,211.87	2806
Administrative employee benefits	4182		1,166.12	2806
(To reclassify accrued compensated salaries paid in 2010)				

Housing Authority of the City of East Chicago (IN029)
EAST CHICAGO, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2010

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	14,885 Formula Capital Fund Stimulus Grant	14,856 Lower Income Housing Assistance Program - Section 6 Moderate	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$2,145,268	\$61,398			\$94,554	\$856,544	\$3,157,764		\$3,157,764
112 Cash - Restricted - Modernization and Development					\$0				\$155,289
113 Cash - Other Restricted	\$155,289				\$0		\$155,289		\$155,289
114 Cash - Tenant Security Deposits	\$138,115				\$0		\$138,115		\$138,115
115 Cash - Restricted for Payment of Current Liabilities					\$0				
100 Total Cash	\$2,283,353	\$216,687	\$0	\$0	\$94,554	\$856,544	\$3,451,168	\$0	\$3,451,168
121 Accounts Receivable - PHA Projects		\$10,532			\$0		\$10,532		\$10,532
122 Accounts Receivable - HUD Other Projects	\$372,356			\$244,367	\$0		\$616,723		\$616,723
124 Accounts Receivable - Other Government					\$0	\$15,869	\$15,869		\$15,869
125 Accounts Receivable - Miscellaneous					\$0				
126 Accounts Receivable - Tenants	\$76,476				\$0		\$76,476		\$76,476
125.1 Allowance for Doubtful Accounts - Tenants	-\$41,840				\$0		-\$41,840		-\$41,840
125.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current					\$0				
128 Fraud Recovery	\$11,492	\$7,583			\$1,266		\$20,341		\$20,341
128.1 Allowance for Doubtful Accounts - Fraud	-\$7,950	-\$6,017			-\$653		-\$14,600		-\$14,600
129 Accrued Interest Receivable					\$0				
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$410,534	\$12,096	\$0	\$244,367	\$653	\$15,869	\$683,501	\$0	\$683,501
131 Investments - Unrestricted					\$0				
132 Investments - Restricted					\$0				
135 Investments - Restricted for Payment of Current Liability					\$0				
142 Prepaid Expenses and Other Assets	\$111,243	\$4,624		\$402	\$402	\$6,832	\$123,101		\$123,101
143 Inventories	\$204,157				\$0		\$204,157		\$204,157
143.1 Allowance for Obsolete Inventories	-\$2,041				\$0		-\$2,041		-\$2,041
144 Inter Program Due From	\$244,367				\$0	\$10,637	\$255,004	-\$255,004	\$0
145 Assets Held for Sale					\$0				
150 Total Current Assets	\$3,251,643	\$233,409	\$0	\$244,367	\$95,599	\$889,852	\$4,714,890	-\$255,004	\$4,459,886
161 Land	\$974,719				\$0		\$974,719		\$974,719
162 Buildings	\$38,724,416				\$0		\$38,724,416		\$38,724,416
163 Furniture, Equipment & Machinery - Dwellings					\$0				
164 Furniture, Equipment & Machinery - Administration	\$884,441	\$64,631			\$0	\$62,819	\$1,011,891		\$1,011,891
165 Leasehold Improvements	\$1,412,917				\$0		\$1,412,917		\$1,412,917
166 Accumulated Depreciation	-\$37,362,912	-\$66,955			\$0	-\$37,315	-\$37,456,562		-\$37,456,562
167 Construction in Progress	\$400,960				\$0		\$400,960		\$400,960
168 Infrastructure					\$0				
160 Total Capital Assets, Net of Accumulated Depreciation	\$5,034,541	\$6,276	\$0	\$0	\$0	\$25,504	\$5,068,321	\$0	\$5,068,321
171 Notes, Loans and Mortgages Receivable - Non-Current					\$0				
172 Notes, Loans, & Mortgages Receivable - Non-Current - Past Due					\$0				
173 Grants Receivable - Non-Current					\$0				
174 Other Assets					\$0				
176 Investments in Joint Ventures					\$0				
180 Total Non-Current Assets	\$5,034,541	\$8,276	\$0	\$0	\$0	\$25,504	\$5,068,321	\$0	\$5,068,321
190 Total Assets	\$8,286,164	\$241,685	\$0	\$244,367	\$95,599	\$915,356	\$9,763,211	-\$255,004	\$9,528,207

Housing Authority of the City of East Chicago (IN029)
EAST CHICAGO, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2010

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	14,865 Formula Capital Fund Stimulus Grant	14,856 Lower Income Housing Assistance Program_Section 6 Moderate	COCC	Subtotal	ELIM	Total
311 Bank Overdraft					\$0				
312 Accounts Payable <= 90 Days	\$434,640	\$6,492			\$375	\$14,910	\$506,417		\$506,417
313 Accounts Payable >90 Days Past Due					\$0				
321 Accrued Wage/Payroll Taxes Payable	\$55,969	\$7,553			\$555	\$40,913	\$104,970		\$104,970
322 Accrued Compensated Absences - Current Portion					\$0				
324 Accrued Contingency Liability					\$0				
325 Accrued Interest Payable					\$0				
331 Accounts Payable - HUD PHA Programs					\$41,577		\$41,577		\$41,577
332 Account Payable - PHA Projects					\$0				
333 Accounts Payable - Other Government	\$242,325				\$0		\$242,325		\$242,325
341 Tenant Security Deposits	\$138,115				\$0		\$138,115		\$138,115
342 Deferred Revenues	\$3,993				\$0		\$3,993		\$3,993
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds					\$0				
344 Current Portion of Long-term Debt - Operating Borrowings					\$0				
345 Other Current Liabilities	\$47,707	\$69			\$0		\$47,776		\$47,776
346 Accrued Liabilities - Other	\$97,694	\$372			\$32	\$404	\$98,502		\$98,502
347 Inter Program - Due To	\$10,637			\$244,367	\$0		\$255,004	-\$255,004	\$0
348 Loan Liability - Current					\$0				
310 Total Current Liabilities	\$1,070,443	\$25,103	\$0	\$244,367	\$42,639	\$35,827	\$1,438,379	-\$255,004	\$1,183,375
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue					\$0				
352 Long-term Debt, Net of Current - Operating Borrowings					\$0				
353 Non-current Liabilities - Other	\$19,585	\$12,451			\$0		\$12,451		\$12,451
354 Accrued Compensated Absences - Non Current		\$589			\$0		\$589		\$589
355 Loan Liability - Non Current					\$0		\$15,183		\$15,183
356 FASB 5 Liabilities					\$0				
357 Accrued Pension and OPEB Liabilities					\$0				
350 Total Non-Current Liabilities	\$19,585	\$13,140	\$0	\$0	\$60	\$15,183	\$47,968	\$0	\$47,968
300 Total Liabilities	\$1,090,028	\$38,243	\$0	\$244,367	\$42,699	\$71,010	\$1,486,347	-\$255,004	\$1,231,343
508.1 Invested in Capital Assets Net of Related Debt	\$5,034,541	\$8,276			\$0	\$25,504	\$5,068,321		\$5,068,321
509.2 Fund Balance Reserved					\$0				
511.2 Unreserved, Designated Fund Balance					\$0				
511.1 Restricted Net Assets		\$142,838			\$0		\$142,838		\$142,838
512.1 Unrestricted Net Assets	\$2,161,615	\$52,328	\$0	\$0	\$52,890	\$818,872	\$3,065,705		\$3,065,705
512.2 Unreserved, Undesignated Fund Balance					\$0				
513 Total Equity/Net Assets	\$7,196,156	\$203,442	\$0	\$0	\$52,890	\$844,376	\$8,296,664	\$0	\$8,296,664
600 Total Liabilities and Equity/Net Assets	\$8,286,184	\$241,685	\$0	\$244,367	\$95,589	\$915,366	\$9,783,211	-\$255,004	\$9,528,207

Housing Authority of the City of East Chicago (IN029)
EAST CHICAGO, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2010

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	14,855 Formula Capital Fund Stimulus Grant	14,856 Lower Income Housing Assistance Program - Section 8 Moderate	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$1,487,557				\$0		\$1,487,557		\$1,487,557
70400 Tenant Revenue - Other	\$102,392				\$0		\$102,392		\$102,392
70500 Total Tenant Revenue	\$1,589,949	\$0	\$0	\$0	\$0	\$0	\$1,589,949	\$0	\$1,589,949
70600 HUD PHA Operating Grants	\$3,198,664	\$3,907,699		\$146,817	\$361,642		\$7,616,842		\$7,616,842
70700 Capital Grants	\$656,242			\$1,225,331	\$0		\$1,881,573		\$1,881,573
70710 Management Fee					\$0	\$727,378	\$727,378	-\$727,378	\$0
70720 Asset Management Fee					\$0	\$96,840	\$96,840	-\$96,840	\$0
70730 Book Keeping Fee					\$0	\$116,767	\$116,767	-\$116,767	\$0
70740 Front Line Service Fee					\$0				
70750 Other Fees					\$0				
70700 Total Fee Revenue					\$0	\$940,985	\$940,985	-\$940,985	\$0
70800 Other Government Grants			\$1,000		\$0		\$1,000		\$1,000
71100 Investment Income - Unrestricted	\$2,972				\$66	\$915	\$3,679		\$3,679
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		\$17,783			\$1,735		\$19,518		\$19,518
71500 Other Revenue	\$114,014	\$32,823			\$70	\$1,305	\$148,212		\$148,212
71600 Gain or Loss on Sale of Capital Assets	\$11,903	\$107			\$0		\$11,903		\$11,903
72000 Investment Income - Restricted					\$0		\$107		\$107
70000 Total Revenue	\$5,673,364	\$3,963,538	\$1,000	\$1,374,148	\$363,513	\$943,205	\$12,213,768	-\$940,985	\$11,272,783
91100 Administrative Salaries	\$489,408	\$171,139			\$14,449	\$432,904	\$1,107,900		\$1,107,900
91200 Auditing Fees	\$4,831	\$3,103			\$270	\$912	\$9,116		\$9,116
91300 Management Fee	\$496,533	\$79,211		\$143,650	\$7,984		\$727,378	-\$727,378	\$0
91310 Book-keeping Fee	\$63,022	\$48,930			\$4,815		\$116,767	-\$116,767	\$0
91600 Advertising and Marketing					\$0				
91500 Employee Benefit Contributions - Administrative	\$244,542	\$63,216			\$7,066	\$142,004	\$476,828		\$476,828
91600 Office Expenses	\$102,419	\$27,973			\$2,487	\$135,189	\$288,018		\$288,018
91700 Legal Expense	\$17,874	\$437			\$38	\$5,100	\$23,449		\$23,449
91800 Travel	\$13,200	\$2,444			\$212	\$31,792	\$47,648		\$47,648
91910 Allocated Overhead					\$0				
91900 Other					\$0				
91000 Total Operating - Administrative	\$1,431,829	\$416,453	\$0	\$143,650	\$37,271	\$767,901	\$2,767,104	-\$844,145	\$1,952,959
92000 Asset Management Fee	\$96,840				\$0		\$96,840	-\$96,840	\$0
92100 Tenant Services - Salaries	\$67,090				\$0		\$67,090		\$67,090
92200 Relocation Costs					\$0				
92300 Employee Benefit Contributions - Tenant Services	\$34,301				\$0		\$34,301		\$34,301
92400 Tenant Services - Other	\$7,303		\$1,000		\$0		\$8,303		\$8,303
92500 Total Tenant Services	\$108,694	\$0	\$1,000	\$0	\$0	\$0	\$109,694	\$0	\$109,694

Housing Authority of the City of East Chicago (IN029)
EAST CHICAGO, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2010

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	14,885 Formula Capital Fund Stimulus Grant	14,856 Lower Income Housing Assistance Program, Section 8 Moderate	COCC	Subtotal	ELIM	Total
93100 Water	\$99,605	\$125			\$11	\$119	\$99,830		\$99,830
93200 Electricity	\$280,795	\$2,248			\$195	\$2,441	\$285,677		\$285,677
93300 Gas	\$184,636	\$476			\$41	\$516	\$185,669		\$185,669
93400 Fuel					\$0				
93500 Labor					\$0				
93600 Sewer					\$0				
93700 Employee Benefit Contributions - Utilities					\$0				
93800 Other Utilities Expense					\$0				
95000 Total Utilities	\$525,036	\$2,847	\$0	\$0	\$247	\$3,076	\$531,206	\$0	\$531,206
94100 Ordinary Maintenance and Operations - Labor	\$641,996				\$0		\$641,996		\$641,996
94200 Ordinary Maintenance and Operations - Materials and Other	\$235,895				\$0		\$235,895		\$235,895
94300 Ordinary Maintenance and Operations Contracts	\$419,866			\$5,167	\$0		\$425,153		\$425,153
94500 Employee Benefit Contributions - Ordinary Maintenance	\$289,423				\$0		\$289,423		\$289,423
94000 Total Maintenance	\$1,587,300	\$0	\$0	\$5,167	\$0	\$0	\$1,592,467	\$0	\$1,592,467
95100 Protective Services - Labor					\$0				
95200 Protective Services - Other Contract Costs	\$333,462	\$224			\$19	\$1,560	\$335,265		\$335,265
95300 Protective Services - Other					\$0				
95500 Employee Benefit Contributions - Protective Services	\$333,462	\$224	\$0	\$0	\$19	\$1,560	\$335,265	\$0	\$335,265
96000 Total Protective Services	\$333,462	\$224	\$0	\$0	\$19	\$1,560	\$335,265	\$0	\$335,265
96110 Property Insurance	\$128,593	\$929			\$81	\$1,010	\$130,613		\$130,613
96120 Liability Insurance	\$31,111	\$3,296			\$286	\$2,989	\$37,682		\$37,682
96130 Workers' Compensation	\$24,188	\$3,958			\$344	\$8,579	\$37,069		\$37,069
96140 All Other Insurance	\$27,709	\$3,101			\$270	\$4,441	\$35,521		\$35,521
96100 Total Insurance Premiums	\$211,601	\$11,284	\$0	\$0	\$981	\$17,019	\$240,885	\$0	\$240,885
96200 Other General Expenses	\$693	\$6,698			\$0	\$92	\$9,383		\$9,383
96210 Compensated Absences	\$138,267	\$16,237			\$1,424	\$42,241	\$198,229		\$198,229
96300 Payments in Lieu of Taxes	\$96,252				\$0		\$96,252		\$96,252
96400 Bad debt - Tenant Rents	\$42,526				\$0		\$42,526		\$42,526
96500 Bad debt - Mortgages					\$0				
96600 Bad debt - Other					\$0				
96800 Severance Expense					\$0				
96000 Total Other General Expenses	\$277,738	\$24,895	\$0	\$0	\$1,424	\$42,333	\$346,390	\$0	\$346,390
96710 Interest of Mortgage (or Bonds) Payable					\$0				
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	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$4,572,500	\$455,703	\$1,000	\$148,817	\$39,942	\$931,909	\$6,049,871	-\$940,985	\$5,108,886
97000 Excess of Operating Revenue over Operating Expenses	\$1,000,864	\$3,502,835	\$0	\$1,225,331	\$323,571	\$111,296	\$6,163,897	\$0	\$6,163,897

Housing Authority of the City of East Chicago (IN029)
EAST CHICAGO, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2010

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	14,885 Formula Capital Fund Stimulus Grant	14,856 Lower Income Housing Assistance Program, Section 8 Moderate	COCC	Subtotal	ELIM	Total
97100 Extraordinary Maintenance					\$0		\$2,075		\$2,075
97200 Casualty Losses - Non-capitalized	\$2,075				\$0		\$2,075		\$2,075
97300 Housing Assistance Payments		\$3,414,777			\$318,216		\$3,732,993		\$3,732,993
97350 HAP Portability-In		\$28,698			\$0		\$28,698		\$28,698
97400 Depreciation Expense	\$745,882	\$6,731			\$0	\$11,808	\$764,421		\$764,421
97500 Fraud Losses					\$0				
97600 Capital Outlays - Governmental Funds					\$0				
97700 Debt Principal Payment - Governmental Funds					\$0				
97800 Dwelling Units Rent Expense			\$1,000	\$146,817	\$388,158	\$843,717	\$1,010,578,058	-\$940,885	\$9,637,073
90000 Total Expenses	\$5,320,457	\$3,905,909	\$1,000	\$146,817	\$388,158	\$843,717	\$10,578,058	-\$940,885	\$9,637,073
10010 Operating Transfer In					\$0				
10020 Operating Transfer Out					\$0				
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	\$150,000				\$0		\$150,000	-\$150,000	\$0
10092 Inter-Project Excess Cash Transfer Out	-\$150,000				\$0		-\$150,000	\$150,000	\$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	\$252,907	\$52,629	\$0	\$1,225,331	\$5,365	\$96,488	\$1,635,710	\$0	\$1,635,710
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$5,717,918	\$150,813	\$0	\$0	\$47,635	\$744,888	\$6,661,154		\$6,661,154
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$1,225,331			-\$1,225,331	\$0		\$0		\$0
11050 Changes in Capitalized 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		\$60,604			\$0		\$60,604		\$60,604
11180 Housing Assistance Payments Equity		\$142,638			\$0		\$142,638		\$142,638
11190 Unit Months Available	6602	6771			708		17081		17081
11200 Number of Unit Months Leased	6403	6525			642		15570		15570
11270 Excess Cash	\$1,532,138				\$0		\$1,532,138		\$1,532,138
11610 Land Purchases	\$0				\$0		\$0		\$0
11620 Building Purchases	\$1,817,200				\$0		\$1,817,200		\$1,817,200
11630 Furniture & Equipment - Dwelling Purchases	\$0				\$0		\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$6,628				\$0		\$6,628		\$6,628
11650 Leasehold Improvements Purchases	\$57,745				\$0		\$57,745		\$57,745
11660 Infrastructure Purchases	\$0				\$0		\$0		\$0
13510 CFFP Debt Service Payments	\$0				\$0		\$0		\$0
13901 Replacement Housing Factor Funds	\$0				\$0		\$0		\$0