



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B42149

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

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

May 2, 2013

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

We have reviewed the audit report prepared by Velma Butler & Company, LTD, Independent Public Accountants, for the period January 1, 2008 to December 31, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Housing Authority of the City of Hammond, as of December 31, 2008 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

THE HOUSING AUTHORITY OF THE
CITY OF HAMMOND, INDIANA

INDEPENDENT AUDITORS' REPORT,
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED
DECEMBER 31, 2008,
INCLUDING SINGLE AUDIT REPORTS
AND SUMMARY OF AUDITORS' RESULTS

THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA

TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT		1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS		3-7
BASIC FINANCIAL STATEMENTS:		
Statement of Net Assets – Enterprise Funds	A	8
Statement of Revenues, Expenses, and Changes in Net Assets – Enterprise Funds	B	9
Statement of Cash Flows - All Enterprise Funds - All Fund Types and Account Groups	C	10
Notes to the Financial Statements		11-17
SUPPLEMENTAL INFORMATION:		
Schedule of Expenditures of Federal Awards	D	18
Financial Data Schedules – Combined Income Statement – Audited REAC Submittal	E	19-20
Statement of Activities - All Special Revenue Fund	F	21
Statement of Activities Budget and Actual- All Special Revenue Funds-All Fund Types and Account Groups	G	22
Statement of Capital Fund Costs-Completed	H	23
Statement of Capital Fund Costs-Uncompleted	I	24
SINGLE AUDIT REPORTS:		
Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		25-26
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		27-28
SCHEDULE OF FINDINGS AND QUESTIONED COSTS:		
Summary of Auditors' Results		29
Financial Statement Findings, Federal Awards Findings and Questioned Costs		30
Status of Prior Year Findings and Questioned Costs		31
Statement of Compliance with Section 8 Management Assessment Program		32
Statement of Compliance with Public Housing Management Assessment System Program		33



INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying financial statements of the business-type activities, of the Housing Authority of the City of Hammond, Indiana (the Authority), as of and for the year ended December 31, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

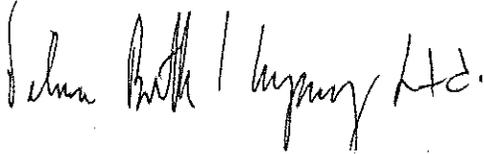
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental and business-type activities of the Housing Authority of the City of Hammond, Indiana, as of December 31, 2008, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated 5/29/09, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be considered in assessing the results of our engagement.

In accordance with U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* we have also issued our report dated 5/29/09, on compliance with requirements applicable to each major program and internal control over compliance. That report is an integral part of an audit performed on the expenditure of federal awards and should be considered in assessing the results of our engagement.

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

Our audit was conducted for the purpose for forming an opinion on the financial statements taken as a whole. The accompanying financial data schedules as of December 31, 2008, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Authority. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is also not a required part of the financial statements of the Housing Authority of the City of Hammond, Indiana. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Velma Butler & Company, Ltd.
Chicago, Illinois

September 15, 2009

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

**1402 173rd SREET
HAMMOND, IN 46324**

**PHONE (219) 989-3265 COLUMBIA CENTER FAX (219) 989-3275
TDD (219) 989-3273**

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Housing Authority of the City of the Hammond, Indiana's (the "Authority") annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on December 31, 2008.

We are pleased to submit the financial statements of the Housing Authority of the City of Hammond, Indiana for the year ended December 31, 2008. The accuracy of the data presented in the financial statements, as well as its completeness and fairness of presentation, is the responsibility of management. All necessary disclosures to enable the reader to gain an understanding of the Authority's financial affairs have been included in the footnotes accompanying the general purpose financial statements. The purpose of the financial statements is to provide complete and accurate financial information, which complies with reporting requirements of the U.S. Department of Housing and Urban Development ("HUD") and the Governmental Accounting Standards Board.

FINANCIAL HIGHLIGHTS

- Net assets at December 31, 2008, totaled \$16,166 thousand and represents a decrease of \$152 thousand from December 31, 2007.
- Revenues decreased by \$814 thousand for fiscal year 2008. The decrease is primarily due to a decrease in HUD Capital Grants of \$609 thousand.
- Operating expenses decreased by \$69 thousand to \$8,171 thousand or less than 1% from \$8,271 thousand at December 31, 2007.
- Net fixed assets were \$13,045 thousand at December 31, 2008, representing a decrease of \$685 thousand from the December 31, 2007, balance of \$13,730 thousand.
- Total liabilities increased from \$422 thousand at December 31, 2007 to \$580 thousand, at December 31, 2008.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's basic financial statements are presented as a single enterprise fund whose operations include two separate and distinct housing programs, the low rent and housing choice voucher programs and various client service activities. The Low Rent Housing program is funded by income-based rents received from residents and operating subsidies from HUD.

Under the housing choice voucher program, the Authority enters into housing assistance payment contracts with eligible landlords. HUD pays housing assistance payments, which includes tenant rents and management fees for operating the program.

The financial statements are presented in three sections: management's discussion and analysis (this section), the basic financial statements and supplementary information.

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

The financial section provides both long-term and short-term information about the Authority's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

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

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

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

The bottom of the Statement of Revenue, Expenses and Changes in Net Assets reports on the Authority's net assets and how they have changed from the previous year. Net assets are the difference between the Authority's assets and liabilities, which is one way to measure the Authority's financial health or position.

Additionally, the Authority is required to undergo an annual single audit in conformity with the provisions of the Single Audit Amendments of 1996 and the United States Office of Management and Budget's ("OMB") *Audits of States, Local Governments, and Non-Profit Organizations* as provided in OMB Circular A-133. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs will be issued with this report.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Assets

Net assets represent the difference between total assets and total liabilities. As shown in Table 1, the Authority's total net assets at December 31, 2008 remained approximately the same at \$16.2 million. Total assets at December 31, 2008 were approximately \$16.2 million, a .9% decrease from the December 31, 2007 balance of \$16.3 million. Total liabilities increased by 37.4% to \$580 thousand:

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

	<u>2008</u>	<u>2007</u>	Percent Change
Current Assets	\$ 3,476	\$ 3,010	15.5%
Non-current Assets	13,045	13,730	-5.0%
Total Assets	\$ <u>16,521</u>	\$ <u>16,740</u>	-1.3%
Current Liabilities	\$ 331	\$ 399	-17.0%
Non-current Liabilities	23	23	0.0%
Total Liabilities	\$ <u>354</u>	\$ <u>422</u>	-16.1%
Invested in Capital Assets, Net	13,045	13,730	-5.0%
Unrestricted	<u>3,145</u>	<u>2,611</u>	20.5%
Total Net Assets	16,190	16,341	-0.9%
Total Liabilities and Net Assets	\$ <u>16,521</u>	\$ <u>16,740</u>	-1.3%

Current assets increased by 15.5%, or approximately \$466 thousand, primarily due to increases in investments.

Non-current assets decreased by \$685 thousand or 5% from \$13.7 million to \$13 million primarily because of depreciation.

Change In Net Assets

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

The change in net assets at December 31, 2008, was a decrease of approximately \$219 thousand, compared to a \$592 thousand increase for the period ended December 31, 2007.

As shown in Table 2, the Authority's total revenues, which included HUD Operating and Capital Grants, tenant rents, interest and other income decreased by \$813 thousand or 9.2%.

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

	<u>2008</u>	<u>2007</u>	Percent Change
Operating Revenues	\$ 7,791	\$ 7,850	-0.8%
Non-Operating Revenues	228	982	-76.8%
Total Revenues	<u>8,019</u>	<u>8,832</u>	-9.2%
Operating Expenses	7,130	7,187	-0.8%
Depreciation	<u>1,041</u>	<u>1,053</u>	-1.1%
Total Expenses	<u>8,171</u>	<u>8,240</u>	-0.8%
Change in Net Assets	(152)	592	-125.7%
Total Net Assets, Beginning	<u>16,318</u>	<u>15,726</u>	3.8%
Net Assets at End of Period	\$ <u>16,166</u>	\$ <u>16,318</u>	-0.9%

As shown in Table 3, the Authority's total operating expenses decreased by \$69 thousand or 0.8% to approximately \$8.2 million in 2008.

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

	<u>2008</u>	<u>2007</u>	<u>Percent</u> <u>Change</u>
Administrative Expenses	\$ 1,856	\$ 1,746	6.3%
Tenant Services	51	160	-68.1%
Utilities Expenses	279	297	-6.1%
Ordinary Maintenance	586	713	-17.8%
Protective Services	2	67	-97.0%
General Expenses	241	268	-10.1%
Extra Ordinary Maintenance	17	27	-37.0%
Housing Assistance Payments	4,098	3,909	4.8%
Depreciation Expense	1,041	1,053	-1.1%
Total Operating Expenses	<u>\$ 8,171</u>	<u>\$ 8,240</u>	-0.8%

BUDGETARY CONTROL

Budgetary control is exercised over programs through internal control methods that ensure compliance with legal provisions incorporated in annual program budgets approved by HUD and the Board of Commissioners. The activities of the Authority's enterprise fund are included in the annual budgeting process. Capital project budgets contained in the Authority's low rent housing program are adopted for the length of the capital projects then annualized to strengthen monitoring and completion benchmarks.

CAPITAL ASSETS

Capital assets decreased by \$685 thousand from \$13.7 million to \$13 million as shown on the table below:

	<u>December 31, 2007</u>	<u>Additions and</u> <u>Transfers in</u>	<u>December 31, 2008</u>
Land and Structures	\$ 24,822,906	\$ 699,474	\$ 25,522,380
Office Furniture and Equipment	1,039,419	143,661	1,183,080
Construction in Progress	2,189,735	(636,384)	1,553,351
Less Accumulated Depreciation	(14,321,858)	(892,411)	(15,214,269)
Total Fixed Assets	<u>\$ 13,730,202</u>	<u>\$ (685,660)</u>	<u>\$ 13,044,542</u>

The Authority completed capital project Phase 205, and transferred \$853,439 to permanent building costs. Construction costs during the year totaled \$415,792. Construction in progress at year-end totaled \$1,553,351.

MAJOR INITIATIVES

For the Year: The Hammond Housing Authority continues to provide comprehensive service in the City of Hammond to assure the existence of affordable housing for low to moderate income individuals, and families, senior citizens, and handicapped and disabled individuals. Under the leadership of a dedicated Board of Commissioners, and the hard work of true professionals in the field of affordable housing, the agency continues to thrive, considering the various challenges for federally subsidized housing providers. Improvements have included working hard to enhance our operations internally and seeking external funds to support our residents whenever possible. Below are some of our accomplishments.

We were recognized through the receipt of awards as follows:

- The Hammond Housing Authority's non-for-profit subsidiary Hammond Elderly Housing, Inc. hired Herman & Kittle to submit an application for the State's Low Income Tax Credits for affordable

housing. The awards are very competitive throughout the State of Indiana. The Hammond Elderly, Inc. was awarded tax credits for the 2007. These tax credits will provide equity funding for 68 new family town home units on the corner of 175th and Chestnut.

- The Mayor of the City of Hammond, the City Council, the Planning Board and many city department heads have been very supportive with our agency's efforts to revitalize Columbia Center. As well as our Board of Commissioners who are the backbone of the Housing Authority's operations. Without this strong local support and commitment this tax award may not have been received.

The Authority continued providing extra patrols in both Columbia Center and Turner Park. This would not be possible without the local support for the councilperson in each respective district. Since the federal government eliminated funding for drug combating grants these local grants have sustained our community's security and safety efforts.

The Rental Assistance Department (Housing Choice Voucher Program), a SEMAP Rating has not been released for the 2008 year. The Housing Choice Voucher staff recaptured \$32,681 through fraud recovery efforts, ½ of which the department was able to keep for operating expenses.

The Public Housing Assessment System rating was 91 percent for the year 2008. The score was carried over from the year 2007 due to the conversion to asset management.

With the Federal Grant awarded for the Housing Counselor position, the HUD Certified Housing Counselor was able to provide counseling to 393 clients from 10/01/07 to 9/30/08. These services include Homebuyer Counseling, Homebuyer Education Programs, Mortgage Delinquency Prevention or Default, Home Equity Conversion, Rental Counseling, Homeless and Shelter counseling.

For the Future: The Authority will continue to revitalize Columbia Center and routinely ensure capital improvements are ongoing at Turner Park and the Senior Building.

These ongoing efforts will ensure that the agency is in compliance with its Annual Contribution Contract it has with the U.S. Department of Housing & Urban Development. The Authority will provide the residents with safe, secure and decent housing units that are in compliance with HUD rules and regulations for public housing and the rental assistance program.

Sincerely,



Maria C. Becerra
Executive Director

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE - ENTERPRISE FUND
DECEMBER 31, 2008, (WITH COMPARATIVE TOTALS FOR 2007)

EXHIBIT A

	ENTERPRISE FUNDS				2008	2007
	LOW RENT	SECTION 8	COUNSELING	DISASTER	TOTAL	TOTAL
			GRANT	ASSISTANCE	TOTAL	TOTAL
ASSETS						
<u>CURRENT ASSETS</u>						
Cash and Cash Equivalents	\$ 2,811	\$ 722,805	\$	\$	\$ 725,616	\$ 724,968
Investments	2,309,869	185,202			2,495,071	1,714,059
Accounts Receivable, Net Allowance	42,571		12,432		55,003	188,448
Prepaid Expenses	110,091	6,944			117,035	152,931
Material Inventories	83,372				83,372	94,212
Total Current Assets	2,548,714	914,951	12,432	0	3,476,097	2,874,618
<u>NON CURRENT ASSETS</u>						
Land, Structures and Equipment, Net	12,991,630	52,962			13,044,592	13,730,202
TOTAL ASSETS	\$ 15,540,344	\$ 967,913	12,432	\$ 0	\$ 16,520,689	\$ 16,604,820
LIABILITIES AND NET ASSETS						
<u>CURRENT LIABILITIES</u>						
Accounts Payable	\$ 213,708	\$ 75,652	\$	\$	\$ 289,360	\$ 189,319
Accrued Liabilities	23,863	5,766	477		30,106	66,337
Trust Deposits - Current Portion		5,129			5,129	5,331
Deferred Revenues			6,447		6,447	2,648
Total Current Liabilities	237,571	86,547	6,924	0	331,042	263,635
<u>NON-CURRENT LIABILITIES</u>						
Trust Deposits - Non-Current Portion		23,365			23,365	22,727
Total Non-Current Liabilities	0	23,365	0	0	23,365	22,727
<u>NET ASSETS</u>						
Unrestricted Net Assets	2,311,143	805,039	5,508		3,121,690	2,588,256
Investment in Fixed Assets	12,991,630	52,962			13,044,592	13,730,202
Total Net Assets	15,302,773	858,001	5,508	0	16,166,282	16,318,458
TOTAL LIABILITIES AND NET ASSETS	\$ 15,540,344	\$ 967,913	12,432	\$ 0	\$ 16,520,689	\$ 16,604,820

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 PROPRIETARY FUND TYPE - ENTERPRISE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2008, (WITH COMPARATIVE TOTALS FOR 2007)

EXHIBIT B

	ENTERPRISE FUNDS				2008	2007
	LOW RENT	SECTION 8	COUNSELING	DISASTER	TOTAL	TOTAL
			GRANT	ASSISTANCE	TOTAL	TOTAL
OPERATING REVENUES						
Tenant Rents	\$ 890,920	\$	\$	\$	\$ 890,920	\$ 950,568
HUD Operating Grants	1,901,786	4,547,021	30,652	15,240	6,494,699	6,694,019
Other Income	339,496	59,702	5,508		404,706	205,423
TOTAL OPERATING REVENUES	3,132,202	4,606,723	36,160	15,240	7,790,325	7,850,010
OPERATING EXPENSES						
Administrative Expenses	1,407,094	420,897	27,977		1,855,967	1,745,640
Tenant Services	51,079				51,079	160,276
Utilities Expenses	278,558				278,558	297,331
Ordinary Maintenance	584,612	1,298			585,910	712,676
Protective Services	1,719				1,719	67,106
General Expenses	129,273	109,458	2,675		241,406	268,232
Extra Ordinary Maintenance	17,596				17,596	27,108
Housing Assistance Payments		4,081,109		15,240	4,096,349	3,908,638
FSS Escrow - Section 8		1,512			1,512	
Depreciation Expense	1,033,490	7,200			1,040,691	1,052,588
TOTAL OPERATING EXPENSES	3,503,421	4,621,475	30,652	15,240	8,170,787	8,239,595
OPERATING INCOME (LOSS)	(371,219)	(14,751)	5,508	0	(380,462)	(389,585)
NON-OPERATING REVENUES (EXPENSES)						
Interest Income	77,349	6,273			83,622	99,104
Unrealized Loss on Investments	(160,750)				(160,750)	(31,304)
HUD Capital Grants	305,414				305,414	914,045
NON-OPERATING REVENUES (EXPENSES)	222,013	6,273	0	0	228,286	981,845
CHANGE IN NET ASSETS	(149,206)	(8,478)	5,508	0	(152,176)	592,260
TRANSFERS TO EQUITY					0	0
NET ASSETS AT BEGINNING OF PERIOD	15,451,979	866,479	0	0	16,318,458	15,726,198
NET ASSETS AT END OF PERIOD	\$ 15,302,773	\$ 858,001	\$ 5,508	\$ 0	\$ 16,166,282	\$ 16,318,458

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 STATEMENTS OF CASH FLOWS - ALL ENTERPRISE FUNDS
 PROPRIETARY FUND TYPE - ENTERPRISE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2008, (WITH COMPARATIVE TOTALS FOR 2007)

EXHIBIT C

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Tenants and Others	\$ 7,790,325	\$ 7,805,735
Payments to Employees	(2,013,142)	(2,056,194)
Payments to Vendors and Suppliers	(4,868,689)	(5,370,231)
Net Cash Provided by Operating Activities	<u>908,494</u>	<u>379,310</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase)/Sale of Investments	(781,012)	43,679
Interest Income	83,622	99,104
Unrealized Loss on Investments	(160,750)	(31,303)
Net Cash (Used In) Provided by Investing Activities	<u>(858,140)</u>	<u>111,480</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants	305,414	914,045
Investment in Fixed Assets	(49,706)	(17,739)
Investment in Construction Activities	(305,414)	(914,045)
Transfer from Equity	<u>0</u>	<u>0</u>
Net Cash (Used In) Provided by Capital and Related Activities	<u>(49,706)</u>	<u>(17,739)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>648</u>	<u>473,051</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL YEAR	724,968	251,917
CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR	<u>\$ 725,616</u>	<u>\$ 724,968</u>
Reconciliation of Operating Loss to Net Cash		
Used by Operating Activities		
Net Income	\$ (380,462)	\$ (389,585)
Adjustments To Reconcile		
Depreciation	1,040,691	1,052,588
Change in Assets and Liabilities		
(Increase)/Decrease in Accounts Receivable	268,636	(214,961)
(Increase)/Decrease in Prepaid Expenses	35,896	6,740
(Increase)/Decrease in Material Inventories	10,840	(11,501)
Increase/(Decrease) in Accounts Payable	(35,150)	48,150
Increase/(Decrease) in Accrued Liabilities	(36,231)	(36,922)
Increase/(Decrease) in Trust Deposits	436	(62,209)
Increase/(Decrease) in Deferred Revenues	3,799	(12,990)
Net Cash Provided by Operating Activities	<u>\$ 908,455</u>	<u>\$ 379,310</u>

SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES

NONE

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Note 1 - Organization and Program Description

The Housing Authority of the City of Hammond, Indiana (the Authority) is a municipal corporation created and organized under the Housing Authority Act of the State of Indiana to engage in the acquisition, development, leasing and administration of a low-rent housing program and other federally assisted programs.

The governing body of the Authority is its Board of Commissioners (Board) composed of five members appointed by the Mayor of the City of Hammond (City). The Board appoints an Executive Director to administer the affairs of the Authority. The Authority is not considered a component unit of the City.

The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering housing programs under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities and to provide funds to assist the Public Housing Authorities (PHAs) in financing the acquisition, construction, and/or leasing of housing units; to make housing assistance payments; and to make annual contributions (subsidies) to PHAs for the purpose of maintaining the low rent character of the local housing program.

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

Low Rent Housing - The low rent housing program is the primary operating fund of the Authority. It provides subsidized housing to low income residents. The Authority is the owner of approximately 596 public housing units located throughout the City. The Authority receives revenue from dwelling rental income and an operating subsidy provided by HUD. "Capital Funds," funded by HUD, are used to improve the physical condition, management and operation of existing public housing developments. The low rent housing program is reported as an enterprise fund.

Housing Choice Voucher Program - The Authority participates in the Housing Choice Voucher Program. This program is designed to provide privately owned, decent, safe and sanitary housing to low income families. The Authority provides assistance to low income persons seeking decent, safe and sanitary housing by subsidizing rents between such persons and owners of existing private housing. Under the programs, the Authority enters into housing assistance payment contracts with eligible landlords. To fund the program, the Authority enters into annual contribution contracts with HUD for the receipt of rental subsidies. The Housing Choice Voucher program is also reported as an enterprise fund.

Housing Counseling Grant - This program provides counselors to assist homeowners, potential homeowners, tenants and homeless seeking to improve their housing situation. Funding for this program is provided by grants from HUD.

Change in Accounting Principles - The Authority adopted the provision of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* in 2001. Statement No. 34 establishes financial reporting standards for all state and local governments and related entities. Statement No. 34 relates to presentation and disclosure requirements and had no impact on net assets. The impact was on the presentation of net assets and the inclusion of management's discussion and analysis.

The Authority applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

A. Reporting Entity

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

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008 continued . . .**

Note 1 – Organization and Program Description (continued)

These principles define the reporting entity of the primary government, as well as its component units. Component units are separate legal organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit or impose a financial burden on the primary government. There are no component units of the Authority. The accompanying financial data present the financial statements of the Authority.

The reporting entity for the Authority includes all the funds of the Authority as the primary government.

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

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

Enterprise Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All assets and liabilities associated with the operation of these funds are included on the balance sheet.

C. Fund Accounting

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

Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Authority maintains the following fund types and account groups:

Proprietary Funds - The Authority's operations are accounted for in a single *Enterprise Fund*. *Enterprise Funds* account for those operations that are financed and operated in a manner similar to private business or where the Authority has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Budgets - Budgets are adopted for applicable enterprise funds on a basis consistent with accounting principles generally accepted in the United States of America. The Authority is not legally required to adopt budgets for such funds. However, the Authority has contractual requirements to adopt budgets for applicable HUD programs. Multi-year appropriations for capital projects and other special purpose programs (all capital projects are currently accounted for in Proprietary Funds) are adopted for the length of the project and/or program and are annualized for accounting purposes. Additional information on the Authority's budgetary requirements and controls is disclosed in Note 2.

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008 continued . . .

Note 1 – Organization and Program Description (continued)

Management's Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Investments – The Authority has estimated the fair values of its financial investments using available market information and other valuation methodologies in accordance with SFAS No. 124, *Financial Statements of Not-for-Profit Organizations*, and SFAS No. 157, *Fair Value Measurements*. Investments are stated at fair value in accordance with GASB Statement No. 31. Federal statutes authorize investment of excess federal funds in instruments guaranteed by the federal government. The Authority has adopted this policy for all invested funds, whether or not they are federal funds.

New Accounting Pronouncements – Statement of Financial Accounting Standards, No. 157, *Fair Value Measurements* ("SFAS 157") which defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value measurements, was effective for CRS on July 1, 2008. The requirement had no significant impact on CRS's financial statements.

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

Prepaid Expenditures - Payments made to vendors for services that will benefit periods beyond December 31, 2008, are recorded as prepaid items.

Fixed Assets - The Authority capitalizes fixed assets with a cost of more than \$5,000 and a useful life of one year or more. Proprietary fund types focus on capital maintenance. Accordingly, land, structures and equipment are recorded in the enterprise fund, which acquires such assets.

Fixed assets are stated at cost or at estimated historical cost. The cost of maintenance and repairs is charged to operations as incurred and improvements are capitalized. Fixed assets are depreciated over their useful lives using the straight-line method of depreciation as follows:

Building	40	years
Office Furniture and Equipment	5	years
Automobiles	5	years

Compensated Absences - Vested or accumulated vacation has been recorded in the financial statements.

Totals- Memorandum Only Columns - Total columns on the financial statements captioned memorandum are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of these data.

Note 2 - Budget Information

The Authority is required by contractual agreements to adopt annual operating budgets for all its enterprise funds receiving federal expenditure awards. The Director of Finance prepares all budgets on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. Annual operating budgets are not prepared for capital projects activity, which is included in the low rent housing enterprise fund. Budgets are submitted by the Authority's Executive Director and approved by resolutions of the Board of Commissioners.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008 continued . . .**

Note 2 - Budget Information (continued)

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

Note 3 - Cash and Cash Equivalents

Cash and cash equivalents totaled \$725,616 at December 31, 2008, of amounts maintained in commercial checking accounts and are readily available. HUD regulations require authorities to maintain funds in accounts that are fully collateralized by United States government securities. Cash amounts in excess of the \$250,000 insured by the government were collateralized by government securities and held in the pledging financial institutions' trust departments in the Authority's name.

Note 4 - Investments

At December 31, 2008, investments totaled \$2,495,070 which included marketable securities, money market accounts and escrow accounts. The Housing Authority's investments in marketable securities are stated at fair value at year-end. To increase consistency and comparability in fair value measurements, SFAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into the following three levels:

- Level 1 – unadjusted quoted prices in active markets for identical assets that the Authority has the ability to access as of the reporting date.
- Level 2 – inputs other than quoted prices included within Level 1 that are directly observable for the asset or indirectly observable through corroboration with observable market data.
- Level 3 – unobservable inputs, such as internally developed pricing models for the asset due to little or no market activity.

All of the Authority's investments are valued at Level 1 inputs as shown in the chart below. Unrealized gains and losses are included in the change in net assets.

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Unrestricted Investments				
Bonds	\$ 2,368,819	\$	\$	2,368,819
Cash Equivalents	28,494			28,494
Certificate of Deposit	97,757			97,757
Total Unrestricted Investments	<u>2,495,070</u>	<u>0</u>	<u>0</u>	<u>2,495,070</u>
Total Investments at Fair Value	<u>\$ 2,495,070</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>2,495,070</u>

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

Investment return and its classification in the statement of revenues, and expenses and changes in net assets are shown as follows:

Interest Income	\$83,622
Unrealized Loss on Investment	(106,750)
Total Investment Return	<u>(\$23,128)</u>

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008 continued . . .

Note 5 - Accounts Receivable

Accounts receivable, at December 31, 2008, totaled \$281,071 and consisted of the following:

Accounts Receivable – Tenants	\$	13,135
Accounts Receivable – HUD		36,118
Accounts Receivable – Interfund Transfers		226,068
Accounts Receivable – Other		<u>5,750</u>
Sub-Total Accounts Receivable	\$	281,071
Less Interfund Transfers		<u>(226,068)</u>
Total Accounts Receivable	\$	<u><u>55,003</u></u>

The Authority reviews the accounts receivable periodically. In fiscal year 2008, the Authority wrote off \$14,567 in tenant receivables, which were deemed uncollectible.

Note 6 - Prepaid Expenses

Prepaid expenses totaled \$117,035 at December 31, 2008, and consisted of prepaid insurance.

Note 7 - Material Inventories

Material inventories totaled \$83,372 at December 31, 2008. Material inventories are stated at the lower of cost or market. Material inventories are reviewed periodically for obsolescence and are adjusted accordingly. There were no adjustments during the 2008 fiscal year.

Note 8 - Land, Structures and Equipment

The changes in land, structures and equipment for the year ended December 31, 2008, were as follows:

	December 31, 2007	Additional and Transfers in	December 31, 2008
Enterprise Fund			
Low-Rent Housing			
Land and Structures	\$ 24,855,068	\$ 587,313	\$ 25,442,381
Office Furniture and Equipment	788,409	255,822	1,044,231
Construction in Progress	2,189,735	(636,384)	1,553,351
(Less) Accumulated Depreciation	<u>(14,163,172)</u>	<u>(885,211)</u>	<u>(15,048,383)</u>
Total Low Rent	13,670,040	(678,460)	12,991,580
Housing Choice Voucher Program			
Land and Structures	80,000		80,000
Office Furniture and Equipment	138,849		138,849
(Less) Accumulated Depreciation	<u>(158,686)</u>	<u>(7,201)</u>	<u>(165,887)</u>
Total Housing Choice Voucher	60,163	(7,201)	52,962
Total Fixed Assets	<u>\$ 13,730,202</u>	<u>\$ (685,661)</u>	<u>\$ 13,044,542</u>

Changes in land, structures and equipment during the audit period consisted of total capital improvement costs incurred, equipment purchased and depreciation expense.

Fixed Assets are recorded at cost. Depreciation is recorded over the useful lives of the assets using the straight-line method of depreciation. Depreciation expenses for 2008 totaled \$1,040,490.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2008 continued . . .**

Note 9 - Accounts Payable

Accounts payable totaled \$515,428 at December 31, 2008, which consisted of the following:

Accounts Payable - Vendors	\$	833
Tenants Security Deposits		136,040
Accounts Payable - Other		134,250
Accounts Payable - Other Governments		18,237
Accounts Payable - Interfund Transfers		226,068
Sub-Total	\$	515,428
Less Interfund Transfers		(226,068)
Total Accounts Payable	\$	<u>289,360</u>

Note 10 - Accrued Liabilities

Accrued liabilities totaled \$30,106 at December 31, 2008, and represented amounts due for accrued vacation.

It is the Authority's policy not to compensate employees for accumulated sick or compensated leave upon termination. The Authority recognizes leave taken as a current year's salary expense during the year in which the leave is taken. Vacation pay is accrued for and recognized in the financial statements as an accrued liability and unused vacation is paid upon termination.

Note 11 - Trust Deposits

Trust deposits at December 31, 2008, totaled \$28,494, and consisted of amounts due under the family self-sufficiency program as follows:

Trust Deposits - Current Portion	\$	5,129
Trust Deposits - Non-Current Portion		23,365
Total	\$	<u>28,494</u>

Note 12 - Deferred Revenue

Deferred revenue at December 31, 2008, totaled \$6,447, and consisted of receipts in excess of expenditures for the special grant programs.

Note 13 - Employee Benefit Plans

The Authority participates in the Housing Authority of the City of Hammond Retirement Plan (the Plan), which is a qualified defined contribution retirement plan administered by Watkins Ross Company. The Plan covers all full-time employees after one year of service. The maximum contribution is 13 percent of the employee's monthly salary.

Pension expense for the year ended December 31, 2008, totaled \$142,507. The minimum required contribution was 9 percent. The Authority made all the required contributions to the Plan. Plan assets at December 31, 2008, totaled \$1,639,282. The Authority's total payroll expense was \$1,551,147 for the year ended December 31, 2008.

Participants' benefits are fully vested after five years of participation. Participants who retire at or after age 65 with ten years of credited service are entitled to a monthly benefit at retirement.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008 continued . . .**

Note 14 - Commitments and Contingencies

The Authority has, under its normal operations, entered into commitments for the purchase of maintenance, cleaning and other services. Such commitments are monthly or annual.

The Authority also has certain contingent liabilities resulting from claims and commitments incident to the ordinary course of business. Management expects that final resolution of such contingencies will not materially affect the financial position of the Authority.

Note 15 - Administrative Fees

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

Note 16 - Allocation of Cost

The Authority allocates expenses not attributable to a specific program to all programs under management. The basis for this allocation was the number of units in each program. Management considers this to be an equitable method of allocation.

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2008

EXHIBIT D

FEDERAL GRANTOR	ANNUAL CONTRIBUTION OR AWARD CONTRACT #	PROGRAM CFDA #	FEDERAL AWARDS EXPENDED	TOTAL PROGRAM EXPENDITURES
Major Programs - U S Department of Housing and Urban Development				
<u>Direct Program</u>				
Low Rent Housing Program				
Low Rent Housing Programs	C - 918	14.850	\$ 1,791,408	\$ 4,177,500
Capital Fund Program	C - 918	14.872	<u>415,793</u>	<u>110,378</u>
Total Low Rent Housing Programs			2,207,201	4,287,878
Housing Assistance Payment Programs				
Housing Choice Voucher Program	C - 2027	14.871	<u>4,547,021</u>	<u>4,621,747</u>
Total Housing Assistance Program Payments			4,547,021	4,621,747
Total U S Department of Housing and Urban Development (Major Programs)			6,754,222	8,909,625
Non-Major Programs - U S Department of Housing and Urban Development				
Housing Counselor	C - 918	14.149	30,652	30,652
Disaster Relief Assistance	C - 2027	97.109	<u>15,240</u>	<u>15,240</u>
Total U S Department of Housing and Urban Development (Non-Major Programs)			45,892	45,892
Total			<u>\$ 6,800,113</u>	<u>\$ 8,955,517</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 FINANCIAL DATA SCHEDULES - COMBINED BALANCE SHEET - AUDITED REAC SUBMITTAL
 FOR THE YEAR ENDED DECEMBER 31, 2008

EXHIBIT E

Line Item	Account Number	Account Description	Current Office Cost Center	Projects	Housing Choice Vouchers 14,871	Disaster Assistance 97,409	Housing Counseling Assistance 14,469	Eliminations	Total Authority
ASSETS									
Current Assets:									
Cash:									
111	111100	General Fund - Cash	\$	\$	\$ 722,805	\$	\$	\$	722,805
111	111200	Payroll Account		2,661					2,661
111	111700	Petty Cash		150					150
100		Total Cash		2,811	0	722,805	0	0	725,616
Accounts Receivable:									
121	112000	Accounts Receivable PHA							0
122	112500	Accounts Receivable - HUD		36,118					36,118
125	112900	Accounts Receivable - Miscellaneous		5,750					5,750
126	112200	Accounts Receivable - Tenants			13,189				13,189
126.1	112298	Allowance for Doubtful Account			(53)				(53)
120		Total Accounts Receivable		5,750	49,254	0	0	0	55,004
131	116200	Investments - General and Security Deposits	202,180	2,107,689	156,707				2,466,576
135	116600	Family Self Sufficiency Escrow Vouchers - Restricted			28,494				28,494
		Total Investments	202,180	2,107,689	185,201	0	0	0	2,495,070
142	121100	Prepaid Insurance	20,262	73,184	6,944				100,390
142	121200	Insurance Deposit		16,645					16,645
143	126000	Inventories - Materials	700	82,672					83,372
		Total Prepays	20,962	172,501	6,944	0	0	0	200,407
144	11200	Interprogram Due From	109,078	104,558			12,432	(226,068)	0
150		Total Current Assets	340,780	2,434,002	914,950	0	12,432	(226,068)	3,476,097
Non Current Assets:									
161	1400.2	Land	117,162	207,708					324,870
162	1400.2	Building		2,991,112					2,991,112
163	140040	Furniture, Equipment and Machinery - Dwelling			175,548				175,548
164	147500	Furniture, Equipment and Machinery - Administration		730,548					730,548
165	140800	Improvements		22,440,082					22,440,082
166	1400.05	Accumulated Depreciation	(57,862)	(14,990,520)	(165,887)				(15,214,269)
	147000	Non-Dwelling Structures and Equipment			43,301				43,301
167		Construction in Progress		1,553,401					1,553,401
180		Total Non Current Assets	59,300	12,932,330	52,962	0	0	0	13,044,592
190		Total Assets	\$ 400,080	\$ 15,366,332	\$ 967,913	\$ 0	\$ 12,432	\$ (226,068)	\$ 16,520,689
LIABILITIES AND NET ASSETS									
Liabilities:									
Current Liabilities:									
312	211100	Accounts Payable - Vendors and Contractors	\$ 568	\$ 239	\$ 27	\$	\$	\$	833
321	211700	Accounts Payable - Payroll Deductions	28,576						28,576
333	213700	Accounts Payable - Other Governments - Pilot		18,237					18,237
341	211400	Accounts Payable - Tenant Security Deposits		136,040					136,040
	211511	Accounts Payable - Vouchers			14,871				14,871
345	211900	Accounts Payable - Other	83,220	2,971	4,612				90,803
347	212000	Accounts Payable - Interfund		169,926	56,142			(226,068)	0
		Total Current Liabilities	112,364	327,413	75,651	0	0	(226,068)	289,360
Accrued Liabilities:									
321	213500	Accrued Wages	11,203	12,660	5,766		477		30,106
		Total Accrued Liabilities	11,203	12,660	5,766	0	477	0	30,106
Trust Deposits and Liabilities:									
353	218200	Family Self Sufficiency Escrow			28,494				28,494
		Total Trust Deposits	0	0	28,494	0	0	0	28,494
342		Deferred Revenues					6,447		6,447
350		Total Non Current Liabilities	11,203	12,660	34,261	0	6,924	0	65,047
300		Total Liabilities	123,566	340,073	109,912	0	6,924	(226,068)	354,408
Net Assets:									
508		Invested in Capital Assets, Net of Related Debt	59,300	12,932,330	52,962				13,044,592
512		Unrestricted Net Assets	217,214	2,093,930	805,038	0	5,508	0	3,121,689
508		Total Net Assets	276,514	15,026,260	858,000	0	5,508	0	16,166,282
600		Total Liabilities and Net Assets	\$ 400,080	\$ 15,366,332	\$ 967,913	\$ 0	\$ 12,432	\$ (226,068)	\$ 16,520,689

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 FINANCIAL DATA SCHEDULES - COMBINED INCOME STATEMENT AUDITED REAC SUBMITTAL
 FOR THE YEAR ENDED DECEMBER 31, 2008

EXHIBIT E

Line Item	Account Number	Account Description	Central Office Cost Center	Projects	Housing Choice Vouchers 14,871	Disaster Assistance 97,189	Housing Counseling Assistance 14,469	Eliminations	Total Authority
Operating Revenues									
703	3110	Dwelling Rentals	\$	\$ 864,083	\$	\$	\$	\$	\$ 864,083
704	3120	Excess Utilities		26,836					26,836
705.0		Total Tenant Revenue	0	890,920	0	0	0	0	890,920
715	3300-11	Portable Admin Fees			23,434				23,434
715	3300	Interest Reserve Surplus			1,623				1,623
711	3610	Interest on Investments	7,796	69,553	4,650				81,999
706	8020	Operating Subsidy	110,378	1,791,408	4,547,021	15,240	30,652		6,494,699
706.1	8029	Capital Grants		305,414					305,414
715	3300-01	HUD-Recovery Funds			32,681				32,681
	3300-02	Dhap Admin Fees			3,588				3,588
715	3690	Other Income	39,655	299,841			5,508		345,004
715	3690-01	Allocated Overhead	611,831					(611,831)	0
700		Total Operating Revenues	\$ 769,660	\$ 3,357,136	\$ 4,612,996	\$ 15,240	\$ 36,160	\$ 0	\$ 8,179,361
Operating Expenses									
911	4110	Administrative Salaries	407,123	342,154	271,343		25,273		1,045,893
912	4171	Auditing Fees		12,369	17,081				29,450
915	4540	Employee Benefit Contribution	173,991	243,458	105,353		1,897		524,698
916	4190	Other Operating - Admin.	168,922	59,077	27,120		806		255,925
		Total Administrative Expenses	\$ 750,036	\$ 657,058	\$ 420,897	\$ 0	\$ 27,977	\$ 0	\$ 1,855,967
921	4210	Tenant Services - Salaries		42,835					42,835
924	4220	Resident Activity Funds		1,838					1,838
923	4222	Employee Benefit Contribution		6,407					6,407
		Total Tenant Services	0	51,079	0	0	0	0	51,079
931	4310	Water	551	48,963					49,514
932	4320	Electricity	9,659	142,870					152,530
933	4330	Gas	2,127	74,387					76,514
		Total Utilities	12,337	266,221	0	0	0	0	278,558
941	4410	Ordinary Maintenance and Operations - Labor	2,779	328,032					330,810
945	4540	Employee Benefit Contribution		70,475					70,475
942	4420	Ordinary Maintenance and Operations - Materials	5,882	29,795					35,677
943	4430	Ordinary Maintenance and Operations - Contract Costs	15,098	132,552	1,298				148,948
		Total Ordinary Maint. & Materials	23,758	560,854	1,298	0	0	0	585,910
951	4480	Protective Services - Other		1,719					1,719
961	4510	Insurance	12,201	123,197	12,973				148,371
963	4520	Payment in Lieu of Taxes		18,237					18,237
964	4570	Bad Debts - Collection Losses		15,314					15,314
962	4590	Other General Expenses	22,334	549,821	96,485		2,675	(611,831)	59,484
		Total General Expenses	34,535	706,569	109,458	0	2,675	(611,831)	241,406
971	4610	Extraordinary Maintenance - Contract Costs		17,596					17,596
973	4715	House Assistance Payments			4,081,109	15,240			4,096,349
978	4719	FSS Escrow - Section 8			1,512				1,512
974	4800	Depreciation Expense		1,033,490	7,200				1,040,691
		Unrealized Loss on Investment		160,750					160,750
		Total Other	0	1,211,836	4,089,821	15,240	0	0	5,316,898
969.0		Total Operating Expenses	820,666	3,455,335	4,621,475	15,240	30,652	(611,831)	8,331,537
1000		Operating Transfers							0
		Change in Net Assets	\$ (51,007)	\$ (98,199)	\$ (8,478)	\$ 0	\$ 5,508	\$ 611,831	\$ (152,176)

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 STATEMENT OF ACTIVITIES - HOUSING COUNSELING GRANTS
 FOR THE YEAR ENDED DECEMBER 31, 2008, (WITH COMPARATIVE TOTALS FOR 2007)

EXHIBIT F

	2008	2007
REVENUES		
HUD Program Grants	\$ 30,652	\$ 24,174
TOTAL REVENUES	<u>30,652</u>	<u>24,174</u>
EXPENSES		
Administrative		
Tenant Services	26,080	22,516
General Expense	1,897	
	<u>2,675</u>	<u>1,658</u>
TOTAL EXPENSES	<u>30,652</u>	<u>24,174</u>
CHANGE IN NET ASSETS	0	0
NET ASSETS AT DECEMBER 31, 2007	0	0
NET ASSETS AT DECEMBER 31, 2008	<u>\$ 0</u>	<u>\$ 0</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 STATEMENT OF ACTIVITIES - BUDGET AND ACTUAL
 ALL FUND TYPES AND ACCOUNT GROUPS
 FOR THE YEAR ENDED DECEMBER 31, 2008, (WITH COMPARATIVE TOTALS FOR 2007)

EXHIBIT G

	BUDGET	ACTUAL	BUDGET
REVENUES			
HUD Program Grants	\$ 30,652	\$ 30,652	\$ 0
TOTAL REVENUES	30,652	30,652	0
EXPENSES			
Administrative	26,080	26,080	0
Tenant Services	1,897	1,897	0
General Expense	2,675	2,675	0
TOTAL EXPENSES	30,652	30,652	0
CHANGE IN NET ASSETS	0	0	0
NET ASSETS AT DECEMBER 31, 2007	0	0	0
NET ASSETS AT DECEMBER 31, 2008	\$ 0	\$ 0	\$ 0

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 STATEMENT OF CAPITAL FUND COSTS - COMPLETED
 FOR THE YEAR ENDED DECEMBER 31, 2008

EXHIBIT H

ANNUAL CONTRIBUTION CONTRACT C - 918 PHASES IN36PO10 - 205

	205
Funds Approved	\$ 1,306,255
Funds Expended	<u>1,306,255</u>
Excess\(\Deficit) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 1,306,255
Funds Expended	<u>1,306,255</u>
Excess\(\Deficit) of Funds Advanced	<u>\$ 0</u>

1. Capital Fund Program costs for Phases IN 36 - 205, are shown above.
2. Costs additions during the audit period totaled \$1,416 and accordingly were audited by Velma Butler & Company, Ltd.
3. The distribution of costs on the Actual Comprehensive Cost Certificate were in agreement with the Authority's records.
4. All Capital Fund Program costs have been paid and the related liabilities have been discharged through payment.
5. There were no budget overruns.

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 STATEMENT OF CAPITAL FUND COSTS - UNCOMPLETED
 FOR THE YEAR ENDED DECEMBER 31, 2008

EXHIBIT I

ANNUAL CONTRIBUTION CONTRACT C - 918
 PHASES IN36PO10 - 206 AND 207

	206	207	Total
Funds Approved	\$ 1,242,721	\$ 1,207,475	\$ 2,450,196
Funds Expended	<u>1,176,458</u>	<u>160,433</u>	<u>1,336,891</u>
Excess\(\Deficit) of Funds Approved	\$ <u>66,263</u>	\$ <u>1,047,042</u>	\$ <u>1,113,305</u>
Funds Advanced	\$ 1,141,517	\$ 159,256	\$ 1,300,773
Funds Expended	<u>1,176,458</u>	<u>160,433</u>	<u>1,336,891</u>
Excess\(\Deficit) of Funds Advanced	\$ <u>(34,941)</u>	\$ <u>(1,177)</u>	\$ <u>(36,118)</u>

1. Capital Fund Program costs for Phases IN 36 - 206 and IN 36 - 207 are shown above.
2. Cost additions during the audit period were as follows; IN 36 - 206, \$389,356, and IN 36 - 207, \$135,414 and, accordingly, were audited by Velma Butler & Company, Ltd.

See accompanying notes for the financial statements.



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

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

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

We have audited the financial statements of the business-type activities, of the Housing Authority of the City of Hammond, Indiana (the Authority) as of and for the year ended December 31, 2008, and have issued our report thereon dated Open. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

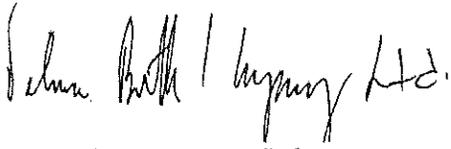
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

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

Compliance and Other Matters

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

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

A handwritten signature in black ink, appearing to read "Velma Butler" followed by a stylized flourish or initials.

Velma Butler & Company, Ltd.
Chicago, Illinois

September 15, 2009



**Report on Compliance with Requirements Applicable to Each
Major Program and on Internal Control Over Compliance in
Accordance with OMB Circular A-133**

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

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

Compliance

We have audited the compliance of the Housing Authority of the City of Hammond, Indiana (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

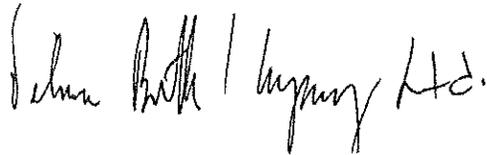
In our opinion, the Authority complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal controls over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal controls over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal controls over compliance in accordance with OMB Circular A-133.

Our consideration of the internal controls over compliance would not necessarily disclose all matters in the internal controls that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal controls over compliance and its operation that we consider to be material weaknesses.

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

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

Velma Butler & Company, Ltd.
Chicago, Illinois

September 15, 2009

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Section I – Summary of Auditors’ Results

Financial Statements

The type of report issued: **Unqualified**

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major program:

U.S. Department of Housing and Urban Development

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

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

Auditee qualified as low-risk auditee? Yes No

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Section II – Financial Statement Findings

There were no reportable findings for the fiscal year ended December 31, 2008.

Section III – Federal Award Findings and Questioned Costs

There were no reportable findings for the fiscal year ended December 31, 2008.

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Section IV – Summary of Prior Year Audit Findings

There were no reportable findings for the fiscal year ended December 31, 2007.

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATEMENT OF COMPLIANCE WITH
SECTION 8 MANAGEMENT ASSESSMENT PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2008**

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

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATEMENT OF COMPLIANCE WITH
PUBLIC HOUSING ASSESSMENT PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2008**

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