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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, 2009 to December 31, 2009. 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, 2009 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, 2009,
INCLUDING SINGLE AUDIT REPORTS
AND SUMMARY OF AUDITORS' RESULTS**

THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA

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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), for the year ended December 31, 2009. 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 business-type activities of the Housing Authority of the City of Hammond, Indiana, as of December 31, 2009, 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 5/11/10, 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 5/11/10, 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, 2009, 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.

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

Velma Butler & Company, Ltd.
Chicago, Illinois

May 11, 2010

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Housing Authority of the City of the Hammond, Indiana's (the "Authority") annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on December 31, 2009.

We are pleased to submit the financial statements of the Housing Authority of the City of Hammond, Indiana for the year ended December 31, 2009. 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, 2009, totaled \$16,430 thousand and represents an increase of \$208 thousand from December 31, 2008.
- Revenue increased by \$878 thousand for fiscal year 2009. The increase is primarily due to an increase in HUD Capital Grants.
- Operating expenses, excluding depreciation, increased by \$517 thousand to \$8,688 thousand or by 6% from \$8,171 thousand at December 31, 2008.
- Net fixed assets were \$12,782 thousand at December 31, 2009, representing a decrease of \$263 thousand from the December 31, 2008, balance of \$13,045 thousand.
- Total liabilities increased from \$354 thousand at December 31, 2008 to \$815 thousand, at December 31, 2009.

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, 2009 increased by \$208 thousand to approximately \$16.4 million or 4%. Total liabilities increased by \$461 thousand or 130% to \$815 thousand.

Current assets increased by 26.8%, or approximately \$932 thousand, primarily due to increases in investments and accounts receivable. While non-current assets decreased by \$263 thousand or 2% from \$13 million to \$12.8 million primarily because of depreciation, as shown below.

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

	2009	2008	Difference	Percent Change
Current Assets	\$ 4,408	\$ 3,476	\$ 932	26.8%
Non-current Assets	12,782	13,045	(263)	-2.0%
Total Assets	17,190	16,521	669	4.0%
Current Liabilities	801	331	470	142.0%
Non-current Liabilities	14	23	(9)	-39.1%
Total Liabilities	815	354	461	130.2%
Invested in Capital Assets, Net	12,782	13,045	(263)	-2.0%
Restricted	635	628	7	1.1%
Unrestricted	2,958	2,494	464	18.6%
Total Net Assets	16,375	16,167	208	1.3%
Total Liabilities and Net Assets	\$ 17,190	\$ 16,521	\$ 669	4.0%

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, 2009, was an increase of approximately \$646 thousand, compared to a \$152 thousand increase for the period ended December 31, 2008.

Capital Assets

Capital assets decreased by \$263 thousand from \$13 million to \$12.8 million as shown on the table below:

	December 31, 2008	Additions and Transfers in	December 31, 2009
Land and Structures	\$ 25,522,380	\$ 810,714	\$ 26,333,094
Office Furniture and Equipment	1,183,080	52,493	1,235,573
Construction in Progress	1,553,351	(55,320)	1,498,031
Less Accumulated Depreciation	(15,214,269)	(1,069,832)	(16,284,101)
Total Fixed Assets	\$ 13,044,542	\$ (261,945)	\$ 12,782,597

Construction costs during the year totaled \$1,302,449, and construction in progress at year-end totaled \$1,498,031.

As shown in Table 2, the Authority's total revenues, which included HUD Operating and Capital Grants, tenant rents, interest and other income increased by \$878 thousand or 10.9%.

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

	2009	2008	Difference	Percent Change
Operating Revenues	\$ 7,856	\$ 7,791	\$ 65	0.8%
Non-Operating Revenues	<u>1,041</u>	<u>228</u>	<u>813</u>	356.6%
Total Revenues	8,897	8,019	878	10.9%
Operating Expenses	7,618	7,130	488	6.8%
Depreciation	<u>1,070</u>	<u>1,041</u>	<u>29</u>	2.8%
Total Expenses	8,688	8,171	517	6.3%
Change in Net Assets	209	(152)	361	-237.5%
Total Net Assets, Beginning	16,166	16,318	(152)	-0.9%
Net Assets at End of Period	<u>\$ 16,375</u>	<u>\$ 16,166</u>	<u>\$ 209</u>	1.3%

As shown in Table 3, the Authority's total expenses increased by \$517 thousand or 6.3% to approximately \$8.7 million in 2009.

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

	2009	2008	Difference	Percent Change
Administrative Expenses	\$ 2,271	\$ 1,856	\$ 415	22.4%
Tenant Services	64	51	13	25.5%
Utilities Expenses	292	279	13	4.7%
Ordinary Maintenance	646	586	60	10.2%
Protective Services	3	2	1	50.0%
General Expenses	350	241	109	45.2%
Extra Ordinary Maintenance	6	17	(11)	-64.7%
Housing Assistance Payments	3,986	4,098	(112)	-2.7%
Depreciation Expense	<u>1,070</u>	<u>1,041</u>	<u>29</u>	2.8%
Total Operating Expenses	<u>\$ 8,688</u>	<u>\$ 8,171</u>	<u>\$ 517</u>	6.3%

BUDGETARY CONTROL

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

MAJOR INITIATIVES

Current Year: The Hammond Housing Authority continues to provide comprehensive service in the City of Hammond to assure the existence of affordable housing for low to moderate income individuals, and families, senior citizens, and handicapped and disabled individuals. Under the leadership of a dedicated Board of Commissioners, and the hard work of true professionals in the field of affordable housing, the 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.

- The Hammond Housing Authority's non-for-profit subsidiary Hammond Elderly Housing, Inc. completed the construction and lease-up of Saxony Townhomes in 2009. This is a new 68 unit townhome community located on the corner of 175th Street and Chestnut Avenue. This development was the result of the tax credits awarded to Hammond Elderly Housing, Inc. in 2007.
- The Hammond Housing Authority's non-for-profit subsidiary Hammond Elderly Housing, Inc. submitted an application for the State's Low Income Tax Credits for affordable housing. The awards are very competitive throughout the State of Indiana. Hammond Elderly Housing, Inc. was awarded tax credits for 2009. These tax credits will provide equity funding for 94 rehabilitated single and multi-family homes within Columbia Center.
- 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 Hammond Housing Authority received three American Recovery and Reinvestment Act stimulus grants. The first stimulus grant was for non-competitive Capital Funds in the amount of \$1,613,194. Two of the grants were competitive and we received \$10,000,000 and \$572,000. The \$10,000,000 will be used to assist with the Columbia Center revitalization and the \$572,000 will be used to assist with the Hubert Humphrey renovations.
- In 2009, the Hammond Housing Authority hosted the National Association of Housing and Redevelopment Officials (NAHRO) summer conference in June.
- The Hammond Housing Authority has been designated a NAHRO National training site. Several classes, certifications and testing were conducted throughout the year, with attendees from coast to coast.
- Maria Becerra, Executive Director of the Hammond Housing Authority, was appointed to the NAHRO State Board. Maria was also selected to the National Housing NAHRO Committee as a Presidential appointment.

The Rental Assistance Department (Housing Choice Voucher Program), a SEMAP Rating of 99 was released for the 2009 year. The Housing Choice Voucher staff recaptured \$36,939.25 through fraud recovery efforts, half of which the department was able to keep for operating expenses. The Public Housing Assessment System rating has not been released for the 2009 year.

With the Federal Grant awarded for the Housing Counselor position, the HUD Certified Housing Counselor was able to provide counseling to 422 clients from 10/01/08 to 9/30/09. These services include Homebuyer Counseling, Homebuyer Education Programs, Mortgage Delinquency Prevention or Default, Home Equity Conversion, Rental Counseling, Homeless and Shelter counseling.

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

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

Sincerely,

A handwritten signature in black ink that reads "Maria C. Becerra". The signature is written in a cursive style with a long horizontal flourish at the end.

Maria C. Becerra
Executive Director

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND TYPE - ENTERPRISE FUND
 DECEMBER 31, 2009, (WITH COMPARATIVE TOTALS FOR 2008)

EXHIBIT A

	ENTERPRISE FUNDS			2009	2008
	LOW RENT	SECTION 8	COUNSELING GRANT	TOTAL TOTAL	TOTAL TOTAL
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 223,767	\$ 929,011	\$	\$ 1,152,778	\$ 725,616
Investments	2,606,339	161,279		2,767,618	2,495,071
Accounts Receivable, Net Allowance	294,004		16,028	310,032	55,003
Prepaid Expenses	100,366	6,687		107,053	117,035
Material Inventories	70,036			70,036	83,372
Total Current Assets	3,294,512	1,096,977	16,028	4,407,517	3,476,097
NON CURRENT ASSETS					
Land, Structures and Equipment, Net	12,736,835	45,762		12,782,597	13,044,592
Total Non Current Asstes	12,736,835	45,762		12,782,597	13,044,592
TOTAL ASSETS	\$ 16,031,347	\$ 1,142,739	\$ 16,028	\$ 17,190,114	\$ 16,520,689
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable	\$ 312,437	\$ 32,523	\$	\$ 344,960	\$ 289,360
Accrued Liabilities	61,752	766		62,518	30,106
Trust Deposits - Current Portion				-	5,129
Deferred Revenues		382,953	10,520	393,473	6,447
Total Current Liabilities	374,189	416,242	10,520	800,951	331,042
NON-CURRENT LIABILITIES					
Trust Deposits - Non-Current Portion		13,799		13,799	23,365
Total Non-Current Liabilities		13,799		13,799	23,365
Total Liabilities	374,189	430,041	10,520	814,750	354,407
NET ASSETS					
Unrestricted Net Assets	2,920,323	31,502	5,508	2,957,333	2,493,475
Restricted Net Assets		635,434		635,434	628,215
Investment in Fixed Assets	12,736,835	45,762	-	12,782,597	13,044,592
Total Net Assets	15,657,158	712,698	5,508	16,375,364	16,166,282
TOTAL LIABILITIES AND NET ASSETS	\$ 16,031,347	\$ 1,142,739	\$ 16,028	\$ 17,190,114	\$ 16,520,689

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, 2009, (WITH COMPARATIVE TOTALS FOR 2008)

EXHIBIT B

	ENTERPRISE FUNDS			2009	2008
	LOW RENT	SECTION 8	COUNSELING GRANT	TOTAL TOTAL	TOTAL TOTAL
OPERATING REVENUES					
Tenant Rents	\$ 964,544	\$	\$	\$ 964,544	\$ 890,920
HUD Operating Grants	2,325,200	4,380,184	37,775	6,743,159	6,494,699
Other Income	91,564	57,206		148,770	404,706
TOTAL OPERATING REVENUES	3,381,308	4,437,390	37,775	7,856,473	7,790,325
OPERATING EXPENSES					
Administrative Expenses	1,786,863	447,558	36,087	2,270,508	1,855,967
Tenant Services	64,609			64,609	51,079
Utilities Expenses	291,666			291,666	278,558
Ordinary Maintenance	643,947	2,328		646,275	585,910
Protective Services	3,148			3,148	1,719
General Expenses	205,225	143,625	1,688	350,538	241,406
Extra Ordinary Maintenance	5,799			5,799	17,596
Housing Assistance Payments		3,980,412		3,980,412	4,096,349
FSS Escrow - Section 8		5,602		5,602	1,512
Depreciation Expense	1,062,632	7,200		1,069,832	1,040,691
TOTAL OPERATING EXPENSES	4,063,889	4,586,725	37,775	8,688,389	8,170,787
OPERATING INCOME (LOSS)	(682,581)	(149,335)	-	(831,916)	(380,462)
NON-OPERATING REVENUES (EXPENSES)					
Interest Income	79,211	4,033		83,244	83,622
HUD Capital Grants	957,754			957,754	305,414
NON-OPERATING REVENUES (EXPENSES)	1,036,965	4,033	-	1,040,998	389,036
CHANGE IN NET ASSETS	354,384	(145,302)	-	209,082	8,574
TRANSFERS TO EQUITY					-
NET ASSETS AT BEGINNING OF PERIOD	15,302,774	858,000	5,508	16,327,032	16,318,458
NET ASSETS AT END OF PERIOD	\$ 15,657,158	\$ 712,698	\$ 5,508	\$ 16,536,114	\$ 16,327,032

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, 2009, (WITH COMPARATIVE TOTALS FOR 2008)**

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Tenants and Others	\$ 7,457,829	\$ 7,790,325
Payments to Employees	(1,690,941)	(2,013,142)
Payments to Vendors and Suppliers	(4,259,342)	(4,640,403)
Net Cash Provided by Operating Activities	<u>1,507,546</u>	<u>1,136,780</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase)/Sale of Investments	(272,547)	(1,009,298)
Interest Income	81,877	83,622
Unrealized Gain (Loss) on Investments	55,317	(160,750)
Net Cash (Used In) Provided by Investing Activities	<u>(135,353)</u>	<u>(1,086,426)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants	798,120	305,414
Investment in Fixed Assets	0	(49,706)
Transfers from Construction in Progress	(945,031)	0
Investment in Construction Activities	(798,120)	(305,414)
Net Cash (Used In) Provided by Capital and Related Activities	<u>(945,031)</u>	<u>(49,706)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>427,162</u>	<u>648</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL YEAR	725,616	724,968
CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR	<u>\$ 1,152,778</u>	<u>\$ 725,616</u>
Reconciliation of Operating Loss to Net Cash		
Used by Operating Activities		
Net Income	\$ 209,082	\$ (152,176)
Adjustments To Reconcile		
Depreciation	1,069,832	1,040,691
Change in Assets and Liabilities		
(Increase)/Decrease in Accounts Receivable	(255,029)	268,636
(Increase)/Decrease in Prepaid Expenses	9,982	35,896
(Increase)/Decrease in Material Inventories	13,336	10,840
Increase/(Decrease) in Accounts Payable	55,600	(35,150)
Increase/(Decrease) in Accrued Liabilities	32,412	(36,231)
Increase/(Decrease) in Trust Deposits	(14,695)	436
Increase/(Decrease) in Deferred Revenues	387,026	3,838
Net Cash Provided by Operating Activities	<u>\$ 1,507,546</u>	<u>\$ 1,136,780</u>

SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES

NONE

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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 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.

A. Reporting Entity

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

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

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

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

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

C. Fund Accounting

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

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

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

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

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

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

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

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

Prepaid Expenditures - Payments made to vendors for services that will benefit periods beyond December 31, 2009, 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. Inter-fund eliminations have not been made in the aggregation of these data.

Note 2 - Budget Information

The Authority is required by contractual agreements to adopt annual operating budgets for all its enterprise funds receiving federal expenditure awards. The Director of Finance prepares all budgets on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end. Operating budgets are 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.

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 \$1,152,778 at December 31, 2009 amounts maintained in commercial checking accounts and are readily available. HUD regulations require authorities to maintain funds in accounts that are fully collateralized by United States government securities. Cash amounts in excess of the \$250,000 insured by the government were collateralized by government securities and held in the pledging financial institutions' trust departments in the Authority's name. Of the total cash, \$781,423 is restricted, \$635,434 for Housing Assistance Payments (HAP), \$132,190 for Tenant Security Deposits and \$13,799 for Family Self Sufficiency Escrow.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Note 4 - Investments

At December 31, 2009, investments totaled \$2,767,618 which included marketable securities and money market accounts. The Housing Authority's investments in marketable securities are stated at fair value at year-end. Fair values and unrealized gain/(loss) at December 31, 2009, are summarized as follows:

Description	Category 2		Unrealized Gain/(Loss)
	Book Value	Market Value	
Fixed Income Bonds	\$ 2,478,365	\$ 2,478,365	\$ -
Money Market Fund	289,253	289,253	-
Total	\$ 2,767,618	\$ 2,767,618	\$ -

Category 2 – Investments are fully collateralized by government security and held in the pledging financial institution's trust department in the Authority's name.

Note 5 - Accounts Receivable

At December 31, 2009, accounts receivable totaled \$310,032, and consisted of the following:

Accounts Receivable – Tenants	\$ 2,084
Allowance for Doubtful Accounts	(53)
Accounts Receivable – HUD	886
Accounts Receivable – Loans	159,633
Accounts Receivable – Other	1,134
Accounts Receivable – Interfund	146,348
Total	\$ 310,032

The Hammond Housing Authority has agreed to loan American Heartland Homes One LLC, the partnership, \$496,650 which will be passed through Hammond Elderly Housing, Inc. These funds are to be used as predevelopment costs, and are to be repaid at closing. At December 31, 2009, the amount loaned by the Hammond Housing Authority totaled \$159,633.

The Authority reviews the accounts receivable periodically. In fiscal year 2009, the Authority wrote off \$1,316 in tenant receivables, which were deemed uncollectible.

Total accounts receivable interfund was \$146,348 at December 31, 2009, and was offset by the accounts payable interfund.

Note 6 - Prepaid Expenses

Prepaid expenses totaled \$107,053 at December 31, 2009, and consisted of prepaid insurances.

Note 7 - Material Inventories

Material inventories totaled \$70,036 at December 31, 2009. 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 2009 fiscal year.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Note 8 - Land, Structures and Equipment

The changes in land, structures and equipment for the year ended December 31, 2009, were as follows:

	<u>December 31, 2008</u>	<u>Additions, Transfers and Dispositions</u>	<u>December 31, 2009</u>
Enterprise Fund			
Low-Rent Housing			
Land and Structures	\$ 25,442,381	\$ 810,714	\$ 26,253,095
Office Furniture and Equipment	1,044,231	52,493	1,096,724
Construction in Progress	1,553,351	(55,320)	1,498,031
(Less) Accumulated Depreciation	<u>(15,048,383)</u>	<u>(1,062,632)</u>	<u>(16,111,015)</u>
Total Low Rent	12,991,580	(254,745)	12,736,835
Housing Choice Voucher Program			
Land and Structures	80,000		80,000
Office Furniture and Equipment	138,849		138,849
(Less) Accumulated Depreciation	<u>(165,887)</u>	<u>(7,200)</u>	<u>(173,087)</u>
Total Housing Choice Voucher	52,962	(7,200)	45,762
 Total Fixed Assets	 <u>\$ 13,044,542</u>	 <u>\$ (261,945)</u>	 <u>\$ 12,782,597</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 2009 totaled \$1,069,832.

Note 9 - Accounts Payable

Accounts payable totaled \$344,960 at December 31, 2009, which consisted of the following:

Accounts Payable - Vendors	\$ 386
Tenants Security Deposits	132,190
Accounts Payable - Other	27,212
Accounts Payable - Other Governments	38,824
Accounts Payable - Interfund	146,348
Total	<u>\$ 344,960</u>

Total accounts payable interfund was \$146,348 at December 31, 2009, and was offset by the accounts receivable interfund.

Note 10 - Accrued Liabilities

Accrued liabilities totaled \$62,518 at December 31, 2009, 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, 2009, totaled \$13,799, and consisted of amounts due under the family self-sufficiency program.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Note 12 - Deferred Revenue

Deferred revenue at December 31, 2009, totaled \$393,473, and consisted of \$10,520 in receipts in excess of expenditures for the Housing Counseling Grant, and \$382,953 in revenue received for 2010 Housing Choice Voucher Program (Section 8).

Note 13 - Employee Benefit Plans

The Authority participates in a qualified defined contribution retirement plan administered by a private administrator. The Plan covers all full-time employees after one year of service. The maximum contribution is 13 percent of the employee's monthly salary.

Pension expense for the year ended December 31, 2009, totaled \$153,835. The minimum required contribution was 9 percent. The Authority made all the required contributions to the Plan. Plan assets at December 31, 2009, totaled \$2,018,706. The Authority's total payroll expense was \$1,636,679 for the year ended December 31, 2009.

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. The plan does not provide for insurance to retired employees.

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.

The Authority has entered into an agreement to sell real estate valued at \$1,200,000, contingent upon the buyer receiving an allocation of rental housing tax credits.

Note 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 or staff in each program. Management considers this to be an equitable method of allocation.

Note 17 - Subsequent Events

Management has performed an analysis of activities and transactions subsequent to December 31, 2009, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended December 31, 2009. Management has performed their analysis through May 11, 2010, the date the financial statements were issued. The Authority has not evaluated events occurring after May 11, 2010 in these financial statements.

SUPPLEMENTAL INFORMATION

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

EXHIBIT D

FEDERAL GRANTOR	ANNUAL CONTRIBUTION CONTRACT #	PROGRAM OR AWARD CFDA #	FEDERAL AWARDS 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	\$ 1,980,505	\$ 2,761,440
Capital Fund Program	C - 918	14.872	1,302,449	1,302,449
Total Low Rent Housing Programs			3,282,954	4,063,889
Housing Assistance Payment Programs				
Housing Choice Voucher Program	C - 2027	14.871	4,380,184	4,586,724
Total Housing Assistance Program Payments			4,380,184	4,586,724
Total U S Department of Housing and Urban Development (Major Programs)			7,663,138	8,650,613
Non-Major Programs - U S Department of Housing and Urban Development				
Housing Counselor	C - 918	14.149	37,775	37,775
Total U S Department of Housing and Urban Development (Non-Major Programs)			37,775	37,775
Total			\$ 7,700,913	\$ 8,688,388

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
FINANCIAL DATA SCHEDULE – COMBINED BALANCE SHEET – REAC SUBMITAL
FOR THE YEAR ENDED DECEMBER 31, 2009**

EXHIBIT E

Line Item	Account Number	Account Description	Central Office Cost Center	Projects	Housing Choice Vouchers 14,871	Housing Counseling Assistance 14,169	Eliminations	Total Authority
ASSETS								
Current Assets:								
Cash:								
111	111100	General Fund - Cash	\$ 91,427	\$	\$ 279,778	\$	\$	\$ 371,205
111	111200	Payroll Account						-
111	111300	Restricted Cash			635,434			635,434
111	111400	Tenant Security Deposits / FSS Escrow		132,190				132,190
135	116600	Family Self Sufficiency Escrow Vouchers - Restricted			13,799			13,799
111	111700	Petty Cash	150					150
100		Total Cash	<u>91,577</u>	<u>132,190</u>	<u>929,011</u>	<u>-</u>	<u>-</u>	<u>1,152,778</u>
Accounts Receivable:								
121	112000	Accounts Receivable PHA						-
122	112500	Accounts Receivable - HUD		886				886
125	112900	Accounts Receivable - Miscellaneous	1,134	159,633				160,767
126	112200	Accounts Receivable - Tenants		2,084				2,084
126.1	112298	Allowance for Doubtful Account		(53)				(53)
120		Total Accounts Receivable	<u>1,134</u>	<u>162,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>163,684</u>
131	116200	Investments - Unrestricted	208,702	2,397,637	161,279			2,767,618
		Total Investments	<u>208,702</u>	<u>2,397,637</u>	<u>161,279</u>	<u>-</u>	<u>-</u>	<u>2,767,618</u>
142	121100	Prepaid Insurance	4,668	79,052	6,687			90,407
142	121200	Insurance Deposit		16,644				16,644
143	126000	Inventories - Materials		70,037				70,037
		Total Prepays	<u>4,668</u>	<u>165,733</u>	<u>6,687</u>	<u>-</u>	<u>-</u>	<u>177,088</u>
144		Interprogram Due From		130,321		16,028	(146,349)	-
150		Total Current Assets	<u>306,081</u>	<u>2,988,431</u>	<u>1,096,977</u>	<u>16,028</u>	<u>(146,349)</u>	<u>4,261,168</u>
Non Current Assets:								
161	140000	Land	124,702	3,232,586	218,849			3,576,137
162	140020	Building						-
163	140040	Furniture, Equipment and Machinery - Dwelling						-
164	147500	Furniture, Equipment and Machinery - Administration		730,548				730,548
165	140800	Improvements		23,261,982				23,261,982
166	140050	Accumulated Depreciation	(57,862)	(16,053,152)	(173,087)			(16,284,101)
	147000	Non-Dwelling Structures and Equipment						-
167		Construction in Progress		1,498,031				1,498,031
180		Total Non Current Assets	<u>66,840</u>	<u>12,669,995</u>	<u>45,762</u>	<u>-</u>	<u>-</u>	<u>12,782,597</u>
190		Total Assets	<u>\$ 372,921</u>	<u>\$ 15,658,426</u>	<u>\$ 1,142,739</u>	<u>16,028</u>	<u>(146,349)</u>	<u>\$ 17,043,765</u>
LIABILITIES AND NET ASSETS								
Liabilities:								
Current Liabilities:								
312	211100	Accounts Payable - Vendors and Contractors	\$	\$	\$ 387	\$	\$	\$ 387
321	211700	Accounts Payable - Payroll Deductions	316					316
333	213700	Accounts Payable - Other Governments - Pilot		38,824				38,824
341	211400	Accounts Payable - Tenant Security Deposits		132,190				132,190
	211511	Accounts Payable - Vouchers			12,969			12,969
345	211900	Accounts Payable - Other	1,992	3,033	8,900			13,925
342		Deferred Revenues			382,953	10,520		393,473
321	213500	Accrued Wages	6,995	54,757	766			62,518
347	212000	Accounts Payable - Interfund	134,203	1,879	10,267		(146,349)	-
		Total Current Liabilities	<u>143,506</u>	<u>230,683</u>	<u>416,242</u>	<u>10,520</u>	<u>(146,349)</u>	<u>654,602</u>
Trust Deposits and Liabilities:								
353	218200	Family Self Sufficiency Escrow			13,799			13,799
		Total Trust Deposits	<u>-</u>	<u>-</u>	<u>13,799</u>	<u>-</u>	<u>-</u>	<u>13,799</u>
350		Total Non Current Liabilities	<u>-</u>	<u>-</u>	<u>13,799</u>	<u>-</u>	<u>-</u>	<u>13,799</u>
300		Total Liabilities	<u>143,506</u>	<u>230,683</u>	<u>430,041</u>	<u>10,520</u>	<u>(146,349)</u>	<u>668,401</u>
Net Assets:								
508		Invested in Capital Assets, Net of Related Debt	66,840	12,669,995	45,762	-	-	12,782,597
511		Restricted Net Assets			635,434			635,434
512		Unrestricted Net Assets	162,575	2,757,748	31,502	5,508	-	2,957,333
508		Total Net Assets	<u>229,415</u>	<u>15,427,743</u>	<u>712,698</u>	<u>5,508</u>	<u>-</u>	<u>16,375,365</u>
600		Total Liabilities and Net Assets	<u>\$ 372,921</u>	<u>\$ 15,658,426</u>	<u>\$ 1,142,739</u>	<u>\$ 16,028</u>	<u>\$ (146,349)</u>	<u>\$ 17,043,765</u>

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
FINANCIAL DATA SCHEDULE – COMBINED INCOME STATEMENT – REAC SUBMITAL
FOR THE YEAR ENDED DECEMBER 31, 2009**

EXHIBIT E

Line Item	Account Number	Account Description	Central Office Cost Center	Projects	Housing Choice Vouchers 14,871	Housing Counseling Assistance 14,169	Eliminations	Total Authority
Operating Revenues								
703	3110	Dwelling Rentals	\$	\$ 959,742	\$	\$	\$	959,742
704	3120	Excess Utilities		4,802				4,802
705		Total Tenant Revenue		964,544				964,544
715	3300-11	Portable Admin Fees			15,505			15,505
715	3300	Interest Reserve Surplus			4,682			4,682
711	3610	Interest on Investments	7,046	72,165	2,664			81,875
706	8020	Operating Subsidy	75,381	1,905,123	4,380,184	37,775		6,398,463
706.1	8029	Capital Grants		1,302,449				1,302,449
715	3300-01	HUD-Recovery Funds			36,939			36,939
	3300-02	Dhap Admin Fees			1,368			1,368
715	3690	Other Income	18,986	34,119	80			53,185
	3690-05	Maintenance Contract Fees	38,459					38,459
715	3690-01	Allocated Overhead	653,366				(653,366)	-
700		Total Operating Revenues	793,238	4,278,400	4,441,422	37,775	(653,366)	8,897,469
Operating Expenses								
911	4110	Administrative Salaries	441,757	482,758	300,820	29,462		1,254,797
912	4171	Auditing Fees	10,569	14,826	9,395			34,790
915	4540	Employee Benefit Contribution	167,187	142,404	112,371	6,485		428,447
916	4190	Other Operating - Admin.	68,781	277,365	24,972	140		371,258
		Total Administrative Expenses	688,294	917,353	447,558	36,087	-	2,089,292
921	4210	Tenant Services - Salaries		44,378				44,378
921	4220	Resident Activity Funds		20,078				20,078
924	4230	Tenant Services, Contract Costs, Other		153				153
923	4222	Employee Benefit Contribution		18,334				18,334
		Total Tenant Services	-	82,943	-	-	-	82,943
931	4310	Water	641	47,140				47,781
932	4320	Electricity	10,214	161,285				171,499
933	4330	Gas	2,499	69,887				72,386
		Total Utilities	13,354	278,312	-	-	-	291,666
941	4410	Ordinary Maintenance and Operations - Labor	28,988	383,432				412,420
945	4540	Employee Benefit Contribution	10,387	152,495				162,882
942	4420	Ord. Maint. and Operations - Materials	719	51,370				52,089
943	4430	Ord. Maint. and Operations - Contracts	23,392	156,046	2,328			181,766
		Total Ordinary Maint. & Materials	63,486	743,343	2,328	-	-	809,157
951	4480	Protective Services - Other	1,289	1,859				3,148
961	4510	Insurance	9,125	101,327	13,418			123,870
963	4520	Payment in Lieu of Taxes		20,587				20,587
964	4570	Bad Debts - Collection Losses		23,596				23,596
962	4590	Other General Expenses	64,689	639,267	130,206	1,688	(653,366)	182,484
		Total General Expenses	73,814	784,777	143,624	1,688	(653,366)	350,537
971	4610	Extraordinary Maintenance - Contract Costs	100	5,698				5,798
973	4715	House Assistance Payments			3,980,412			3,980,412
978	4719	FSS Escrow - Section 8			5,602			5,602
974	4800	Depreciation Expense		1,062,632	7,200			1,069,832
		Total Other	100	1,068,330	3,993,214	-	-	5,061,644
969		Total Operating Expenses	840,337	3,876,917	4,586,724	37,775	(653,366)	8,688,387
		Change in Net Assets	\$ (47,099)	\$ 401,483	\$ (145,302)	\$ -	\$ -	\$ 209,082

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 STATEMENT OF ACTIVITIES – HOUSING COUNSELING GRANT
 FOR THE YEAR ENDED DECEMBER 31, 2009 (WITH COMPARATIVE TOTALS FOR 2008)**

EXHIBIT F

	2009	2008
REVENUES		
HUD Program Grants	\$ 37,775	\$ 30,652
TOTAL REVENUES	<u>37,775</u>	<u>30,652</u>
EXPENSES		
Administrative	29,602	26,080
Tenant Services	0	1,897
General Expense	8,173	2,675
TOTAL EXPENSES	<u>37,775</u>	<u>30,652</u>
CHANGE IN NET ASSETS	0	0
NET ASSETS AT DECEMBER 31, 2008	0	0
NET ASSETS AT DECEMBER 31, 2009	<u>\$ 0</u>	<u>\$ 0</u>

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 STATEMENT OF ACTIVITIES -- BUDGET AND ACTUAL
 CONGRAGRATE HOUSING
 FOR THE YEAR ENDED DECEMBER 31, 2009**

EXHIBIT G

	BUDGET	ACTUAL	VARIENCE
REVENUES			
HUD Program Grants	\$ 37,775	\$ 37,775	\$ 0
TOTAL REVENUES	<u>37,775</u>	<u>37,775</u>	<u>0</u>
EXPENSES			
Administrative	29,602	29,602	0
General Expense	8,173	8,173	0
TOTAL EXPENSES	<u>37,775</u>	<u>37,775</u>	<u>0</u>
CHANGE IN NET ASSETS	0	0	0
NET ASSETS AT DECEMBER 31, 2008	0	0	0
NET ASSETS AT DECEMBER 31, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATEMENT OF CAPITAL FUND COSTS - UNCOMPLETED
FOR THE YEAR ENDED DECEMBER 31, 2009**

**ANNUAL CONTRIBUTION CONTRACT C - 918
PHASES IN36PO10 - 206, 207, 208, 209, AND 299**

EXHIBIT H

	206	207	208	209	299	Total
Funds Approved	\$ 1,242,721	\$ 1,207,475	\$ 1,171,599	\$ 1,613,194	\$ -	\$ 5,234,989
Funds Expended	<u>1,236,679</u>	<u>859,535</u>	<u>445,253</u>	<u>97,800</u>	<u>69</u>	<u>2,639,336</u>
Excess\(\Deficit) of Funds Approved	\$ <u>6,042</u>	\$ <u>347,940</u>	\$ <u>726,346</u>	\$ <u>1,515,394</u>	\$ <u>(69)</u>	\$ <u>2,595,653</u>
Funds Advanced	\$ 1,239,445	\$ 857,724	\$ 445,253	\$ 97,800	\$ -	\$ 2,640,222
Funds Expended	<u>1,236,679</u>	<u>859,535</u>	<u>445,253</u>	<u>97,800</u>	<u>69</u>	<u>2,639,336</u>
Excess\(\Deficit) of Funds Advanced	\$ <u>2,766</u>	\$ <u>(1,811)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(69)</u>	\$ <u>886</u>

- 1 Capital Fund Program costs for Phases IN 36 - 206, IN 36 - 207, IN 36 - 208, IN 36 - 209 and IN 36 - 299, are shown above.
- 2 Cost additions during the audit period were as follows; IN 36 - 206, \$60,221, IN 36 - 207, \$699,107 IN 36 - 208, \$445,253, IN 36 - 209, \$69, and IN 36 - 299, \$97,800, and, accordingly, were audited by Velma Butler & Company, Ltd.



**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, 2009, and have issued our report thereon dated 5/11/10. 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 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.

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

Velma Butler & Company, Ltd.
Chicago, Illinois

May 11, 2010



**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, 2009. 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, 2009.

Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness over 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.

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

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, appearing to read "Velma Butler / Company Ltd.", written in dark ink.

Velma Butler & Company, Ltd.
Chicago, Illinois

May 11, 2010

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Section I – Summary of Auditors’ Results

Financial Statements

The type of report issued: **Unqualified**

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

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

Noncompliance material to financial statements noted?
 Yes X None reported

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

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

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

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

 Yes X No

Identification of major program:

U.S. Department of Housing and Urban Development

CFDA Number Name of Federal Program

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? X Yes No

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Section II – Financial Statement Findings

There were no reportable findings for the fiscal year ended December 31, 2009.

Section III – Federal Award Findings and Questioned Costs

There were no reportable findings for the fiscal year ended December 31, 2009.

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATUS OF PRIOR YEAR OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Section IV – Summary of Prior Year Audit Findings

There were no reportable findings for the fiscal year ended December 31, 2009.

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATEMENT OF COMPLIANCE WITH
SECTION 8 MANAGEMENT ASSESSMENT PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2009**

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, 2009**

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.