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

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

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, 2010 to December 31, 2010. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public 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, 2010 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, 2010,
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, 2010. 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 misstatements. 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.

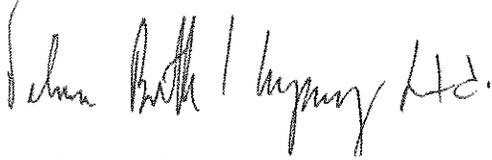
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the City of Hammond, Indiana, as of December 31, 2010, and the respective changes in financial position and 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 6/27/11, 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 6/27/11, 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, 2010, 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 cursive script that reads "Velma Butler / Company Ltd." The signature is written in dark ink and is positioned above the printed name of the company.

Velma Butler & Company, Ltd.
Chicago, Illinois

June 27, 2011

**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, 2010.

We are pleased to submit the financial statements of the Housing Authority of the City of Hammond, Indiana for the year ended December 31, 2010. 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, 2010, totaled \$21.5 million and represents an increase of \$4.5 million from December 31, 2009.
- Revenue increased by \$6.5 million for fiscal year 2010. The increase is primarily due to an increase in HUD Capital Grants.
- Operating expenses, excluding depreciation, decreased by \$1.3 million to \$7.7 million or by 14.8% from \$9 million at December 31, 2009.
- Non current assets were \$11.4 million at December 31, 2010, representing a decrease of \$2 million from the December 31, 2009, balance of \$13.4 million.
- Total liabilities decreased from \$2.9 million at December 31, 2009 to almost \$1 million, at December 31, 2010.

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 or capital 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, 2010 increased by \$4.5 million or 27.1% to approximately \$21 million. Total liabilities decreased by \$1.6 million or 53.9% to \$1.4 million.

Current assets increased by 79.4%, or approximately \$4.9 million, primarily due to increases in investments and accounts receivable. Non-current assets decreased by \$2 million or 14.7% from \$13.4 million to \$11.4 million primarily because of changes in capital assets.

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

	2010	2009	Difference	Percent Change
Current Assets	\$ 11,072	\$ 6,170	\$ 4,902	79.4%
Non-current Assets	11,446	13,415	(1,969)	-14.7%
Total Assets	<u>22,518</u>	<u>19,585</u>	<u>2,933</u>	15.0%
Current Liabilities	1,309	1,658	(349)	-21.0%
Non-current Liabilities	44	1,279	(1,235)	-96.6%
Total Liabilities	<u>1,353</u>	<u>2,937</u>	<u>(1,584)</u>	-53.9%
Invested in Capital Assets, Net	11,446	12,783	(1,337)	-10.5%
Restricted	516	635	(119)	-18.7%
Unrestricted	9,203	3,230	5,973	184.9%
Total Net Assets	<u>21,165</u>	<u>16,648</u>	<u>4,517</u>	27.1%
Total Liabilities and Net Assets	<u>\$ 22,518</u>	<u>\$ 19,585</u>	<u>\$ 2,933</u>	15.0%

Capital Assets

Capital assets decreased by \$1.3 million from \$12.8 million to \$11.4 million as shown on the table below:

	December 31, 2009	Additions and Transfers in	December 31, 2010
Land and Structures	\$ 26,670,116	\$ (9,096,542)	\$ 17,573,574
Office Furniture and Equipment	898,551	224,044	1,122,595
Construction in Progress	1,498,031	2,808,165	4,306,196
Less Accumulated Depreciation	(16,284,101)	4,727,387	(11,556,714)
Total Fixed Assets	<u>\$ 12,782,597</u>	<u>\$ (1,336,946)</u>	<u>\$ 11,445,651</u>

Construction costs during the year totaled \$2,808,165, and additions were \$224,044. Depreciation expenses totaled \$745,484, while write-offs and corrections to capital assets were \$3,395,336.

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, 2010, was approximately \$4.5 million, compared to a \$361 thousand decrease for the period ended December 31, 2009. The change related to an increase in income net of adjustments to capital assets.

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 \$6,555 thousand.

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

	<u>2010</u>	<u>2009</u>	<u>Difference</u>	<u>Percent Change</u>
Operating Revenues	\$ 9,153	\$ 8,777	\$ 376	4.3%
Non-Operating Revenues	7,218	1,042	6,176	592.7%
Total Revenues	<u>16,371</u>	<u>9,819</u>	<u>6,552</u>	66.7%
Operating Expenses	7,715	9,065	(1,350)	-14.9%
Depreciation	745	1,070	(325)	-30.4%
Total Expenses	<u>8,460</u>	<u>10,135</u>	<u>(1,675)</u>	-16.5%
Adjustment to Capital Assets	<u>(3,394)</u>	<u> </u>	<u>(3,394)</u>	
Change in Net Assets	4,517	(316)	4,833	-1529.4%
Total Net Assets, Beginning	16,647	16,963	(316)	-1.9%
Net Assets at End of Period	<u>\$ 21,164</u>	<u>\$ 16,647</u>	<u>\$ 4,517</u>	27.1%

As shown in Table 3, the Authority's total expenses decreased by \$1.7 million or 16.5% to approximately \$8.5 million in 2010.

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

	<u>2010</u>	<u>2009</u>	<u>Difference</u>	<u>Percent Change</u>
Administrative Expenses	\$ 1,905	\$ 3,717	\$ (1,812)	-48.7%
Tenant Services	133	64	69	107.8%
Utilities Expenses	246	292	(46)	-15.8%
Ordinary Maintenance	771	646	125	19.3%
Protective Services	4	3	1	33.3%
General Expenses	248	351	(103)	-29.3%
Extra Ordinary Maintenance	9	6	3	50.0%
Housing Assistance Payments	4,399	3,986	413	10.4%
Depreciation Expense	745	1,070	(325)	-30.4%
Total Operating Expenses	<u>\$ 8,460</u>	<u>\$ 10,135</u>	<u>\$ (1,675)</u>	-16.5%

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 year moved onto the historical pages of the Hammond Housing Authority, with the ongoing Revitalization Master Plan for Columbia Center and ongoing capital improvements for Turner Park. Words like Plans, Projections, Progress, Persistence, Prevailing, Productivity, Proformas and Pride can define all of the activities that encompassed 2010.

Homestead Enterprise Housing, Inc., formally the Hammond Elderly Housing, Inc., (HEH), an instrumentality of the Housing Authority was awarded Low Income Tax Credits. With this award we planned and moved full speed ahead for the next Phase of Revitalization. This phase was named "American Heartland Homes One". This development would mark the first Mixed Income Development for the Hammond Housing Authority. The development merged Federal Capital Funds, American Recovery & Reinvestment Act funds and the State Tax credits. The development has low income tax credit units, Section 9 (federally subsidized units) and P.B.V. (project based vouchers). The Partnership agreement with H.E.H the equity investor Richman was finalized and closed on June 30, 2010. The General Contractor awarded the contract was Berglund Construction. Immediately following the signing of the closing documents, the construction fencing was put up and the complete gut rehab of the existing units began. Each unit was gutted down just leaving the exterior walls. The Board of Commissioners and the City Council approved the Renaming some the dedicated city streets in the complex. Our intent was to leave behind the old "Columbia Center" public housing street names in the history books. The new street names carried with the American theme, Freedom, Liberty, Justice, and Flagstone.

Historically, what should be recorded as a Major accomplishment about the Hammond Housing Authority for the year 2010 is then the following. This Housing Authority of the City of Hammond successfully put together its first Mixed Income Development. The development was named American Heartland Homes One. Once completed this development will provide 112 Affordable Housing units. There are for the first time, Section 9 (federally subsidized units), Project Based Units and all the units fall under the I.R.S. Section 42 code for Low Income Tax Credit units. There are many stakeholders involved in the development and long term viability of this development. This event also marks the first time Hammond Housing Authority will manage a low income tax credit property. These tax credit units fall under the I.R.S. 42 Code.

Capital improvements best sums up the activities for the Public Housing units, many renovations were undertaken with American Recovery and Reinvestment Act (A.R.R.A.) funds that were awarded to the agency. Turner Park, was awarded \$572,000 competitive A.R.R.A funds. Precision Construction was awarded the contract for renovations on the main entrance to the building. This includes a new resident mailbox delivery setup, a satellite banking site, relocation of the management office to the front of the building, a library and a space for a service provider. Vito's Pharmacy has plans to open a new pharmacy at this location.

We were the First Community Garden in Hammond! Yes, the first Hammond Community Garden was an overwhelming complete success. With the idea and collaboration, of a couple from a local church, residents had free vegetables growing in their community. The residents tilled, seeded and maintained the garden, which was harvested and gave more than enough vegetables for the Garden group and residents of the community.

Our agency once again took a foreclosed home, and completely renovated and sold it. We transformed this neglected property and made it a home. This property is now back on the tax rolls and the neighbors were grateful for the new and improved home in their community.

The Housing Counselor passed the audit process to maintain the designation of "A H.U.D. Certified Housing Counseling Agency. These services are provided free of charge, through a competitive federal grant. This is indeed is a great asset within our city, which continues to assist many clients with their housing counseling needs.

We also were awarded Special Replacement Vouchers to assist with the relocation of public housing residents who were affected by the construction remodel of American Heartland Homes.

The Executive Director served on the NAHRO National Housing Committee and also on the Regional Housing Board. This was a NAHRO Presidential appointment.

Towards the end the year staff worked diligently to put together a competitive low income tax application for 2011. This is a one liner, but much goes into putting together a successful application. At the printing of this report, I can make note of the fact, that out of 50 statewide applications, Hammond's application received the highest points in the State. Only half of the 50 actually received awards statewide. This next phase will be American Heartland Homes Two which will keep the Revitalization moving forward into 2011.

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

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, flowing style.

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, 2010 (WITH COMPARATIVE TOTALS FOR 2009)

EXHIBIT A

	ENTERPRISE FUNDS				2010	2009
	LOW RENT	SECTION 8	COUNSELING GRANT	COMPONENT UNIT	TOTAL	TOTAL
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 408,419	\$ 332,725	\$	\$ 170,175	\$ 911,319	\$ 1,352,487
Investments	3,087,448	163,940			3,251,388	2,767,618
Accounts Receivable, Net Allowance	386,055	5,243	22,065	1,491,919	1,905,282	1,513,000
Notes Receivable	4,389,346			259,688	4,649,034	360,476
Accrued Interest Receivable	65,362			26,034	91,396	
Investments in Partnerships				109,005	109,005	
Prepaid Expenses	91,706	9,180			100,886	107,053
Material Inventories	53,894				53,894	70,036
Total Current Assets	8,482,230	511,088	22,065	2,056,821	11,072,204	6,170,670
NON CURRENT ASSETS						
Land, Structures and Equipment, Net	11,407,089	38,562			11,445,651	12,782,597
Deferred Accounts Receivable						632,003
Total Non Current Asstes	11,407,089	38,562	-		11,445,651	13,414,600
TOTAL ASSETS	\$ 19,889,319	\$ 549,650	\$ 22,065	\$ 2,056,821	\$ 22,517,855	\$ 19,585,270
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable	\$ 571,317	\$ 4,648	\$	\$ 709,058	\$ 1,285,023	\$ 1,202,130
Accrued Liabilities	10,942				10,942	62,518
Deferred Revenues			13,557		13,557	393,473
Total Current Liabilities	582,259	4,648	13,557	709,058	1,309,522	1,658,121
NON-CURRENT LIABILITIES						
Trust Deposits		44,108			44,108	13,799
Deferred Liabilities					-	1,106,005
Notes Payable					-	159,633
Total Non-Current Liabilities	-	44,108	-	-	44,108	1,279,437
Total Liabilities	582,259	48,756	13,557	709,058	1,353,630	2,937,558
NET ASSETS						
Unrestricted Net Assets	7,798,748	47,280	8,508	1,347,763	9,202,299	3,229,681
Restricted Net Assets	101,223	415,052			516,275	635,434
Investment in Fixed Assets	11,407,089	38,562	-		11,445,651	12,782,597
Total Net Assets	19,307,060	500,894	8,508	1,347,763	21,164,225	16,647,712
TOTAL LIABILITIES AND NET ASSETS	\$ 19,889,319	\$ 549,650	\$ 22,065	\$ 2,056,821	\$ 22,517,855	\$ 19,585,270

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, 2010 (WITH COMPARATIVE TOTALS FOR 2009)

EXHIBIT B

	ENTERPRISE FUNDS				2010	2009
	LOW RENT	SECTION 8	COUNSELING GRANT	COMPONENT UNIT	TOTAL	TOTAL
OPERATING REVENUES						
Tenant Rents	\$ 884,282	\$	\$	\$	\$ 884,282	\$ 964,544
HUD Operating Grants	1,655,614	4,716,735	34,943		6,407,292	6,743,159
Other Income	599,771	49,095	3,000	1,209,948	1,861,814	1,069,408
TOTAL OPERATING REVENUES	3,139,667	4,765,830	37,943	1,209,948	9,153,388	8,777,111
OPERATING EXPENSES						
Administrative Expenses	1,379,989	387,150	32,436	104,881	1,904,456	3,717,365
Tenant Services	66,480	66,216			132,696	64,609
Utilities Expenses	246,222				246,222	291,666
Ordinary Maintenance	761,658	5,294		4,040	770,992	646,275
Protective Services	3,774				3,774	3,148
General Expenses	218,790	26,753	2,507		248,050	350,538
Extra Ordinary Maintenance	9,139				9,139	5,799
Housing Assistance Payments		4,399,300			4,399,300	3,980,412
FSS Escrow - Section 8					-	5,602
Depreciation Expense	731,084	14,400			745,484	1,069,832
TOTAL OPERATING EXPENSES	3,417,136	4,899,113	34,943	108,921	8,460,113	10,135,246
OPERATING INCOME (LOSS)	(277,469)	(133,283)	3,000	1,101,027	693,275	(1,358,135)
NON-OPERATING REVENUES (EXPENSES)						
Interest Income	210,664	1,879		28,218	240,761	84,957
Gain on Sale of Land	822,092				822,092	
HUD Capital Grants	6,155,721				6,155,721	957,754
Allocated Overhead Income	449,838				449,838	
Allocated Overhead Expenses	(369,438)	(80,400)			(449,838)	
NON-OPERATING REVENUES (EXPENSES)	7,268,877	(78,521)	-	28,218	7,218,574	1,042,711
CHANGE IN NET ASSETS	6,991,408	(211,804)	3,000	1,129,245	7,911,849	(315,424)
WRITEOFF AND CORRECTIONS OF FIXED AS	(3,395,336)				(3,395,336)	
NET ASSETS AT BEGINNING OF PERIOD	15,710,988	712,698	5,508	218,518	16,647,712	16,963,136
NET ASSETS AT END OF PERIOD	\$ 19,307,060	\$ 500,894	\$ 8,508	\$ 1,347,763	21,164,225	\$ 16,647,712

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, 2010, (WITH COMPARATIVE TOTALS FOR 2009)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Tenants and Others	\$ 12,860,823	\$ 7,457,829
Payments to Employees	(1,624,601)	(1,690,941)
Payments to Vendors and Suppliers	(3,630,182)	(4,259,342)
Net Cash Provided by Operating Activities	<u>7,606,040</u>	<u>1,507,546</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase)/Sale of Investments	(243,525)	(272,547)
(Increase)/Decrease in Accrued Interest Receivable	(91,396)	
(Increase)/Decrease in Investment in Partnership	(109,005)	
Interest Income	240,246	81,877
Unrealized Gain (Loss) on Investments		55,317
Net Cash (Used In) Provided by Investing Activities	<u>(203,680)</u>	<u>(135,353)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants	6,155,721	798,120
Net Gain/(Loss) on Sale or Disposal of Capital Assets	(3,395,336)	
Transfers from Construction in Progress		(745,322)
Investment in Construction Activities	(6,155,721)	(798,120)
(Increase)/Decrease in Notes Receivable	(4,288,559)	
Increase/(Decrease) in Notes Payable	(159,633)	
Net Cash (Used In) Provided by Capital and Related Activities	<u>(7,843,528)</u>	<u>(745,322)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(441,168)</u>	<u>626,871</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL YEAR	1,352,487	725,616
CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR	<u>\$ 911,319</u>	<u>\$ 1,352,487</u>
Reconciliation of Operating Loss to Net Cash		
Used by Operating Activities		
Net Income	\$ 7,899,141	\$ 209,082
Adjustments To Reconcile		
Depreciation	745,484	1,069,832
Change in Assets and Liabilities		
(Increase)/Decrease in Accounts Receivable	(392,282)	(255,029)
(Increase)/Decrease in Prepaid Expenses	6,166	9,982
(Increase)/Decrease in Material Inventories	16,143	13,336
(Increase)/Decrease in Deferred Accounts Receivable	632,003	
Increase/(Decrease) in Accounts Payable	82,893	55,600
Increase/(Decrease) in Accrued Liabilities	(51,576)	32,412
Increase/(Decrease) in Trust Deposits	30,309	(14,695)
Increase/(Decrease) in Deferred Liabilities	(1,362,241)	387,026
Net Cash Provided by Operating Activities	<u>\$ 7,606,040</u>	<u>\$ 1,507,546</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, 2010**

Note 1 - Organization and Program Description

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

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

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

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

Low Rent Housing - The low rent housing program provides subsidized housing to low income residents. The Authority is the owner of public housing units located throughout the City. The Authority receives revenue from dwelling rental income and an operating subsidy from HUD. HUD also provides "Capital Funds," 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. Based upon the application of these criteria, the reporting entity includes Homestead Enterprise Housing, Inc., formally the Hammond Elderly Housing, Inc., as a component unit.

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

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Component Unit

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

This and other changes are reflected in the accompanying financial statements (including notes to the financial statements.)

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

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

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

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

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Reclassification – Certain amounts in the prior year financial statements have been re-classed for comparative purposes to conform with the presentation in the current year financial statements.

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.

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, 2010, 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 – The Authority allows all full-time employees to accumulate the following compensated balances:

- Vacation is accrued based on length of employment, ranging from 10 days per year after 2 years of continuous service to 30 days after 20 years of continuous service. Vacations are not allowed to accumulate from year to year.
- Sick pay is granted at the rate of one day per month, the days carry over from year to year and are limited to 960 hours.

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

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2010**

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.

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 \$911,319 at December 31, 2010, consisting amounts maintained in commercial checking accounts and 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, \$476,606 was restricted, as follows:

<u>Purpose</u>	<u>Amount</u>
Tenant Payments	\$ 145,331
Future HAP Payments	331,275
Total	\$ 476,606

Note 4 - Investments

At December 31, 2010, investments totaled \$3,251,388 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, 2010, are summarized as follows:

<u>Description</u>	<u>Category 2</u>		<u>Unrealized Gain/(Loss)</u>
	<u>Book Value</u>	<u>Market Value</u>	
Fixed Income Bonds	\$ 3,040,517	\$ 3,040,517	\$ -
Money Market Fund	210,871	210,871	-
Total	\$ 3,251,388	\$ 3,251,388	\$ -

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

At December 31, 2010, \$83,777 of investments is restricted for future HAP payments.

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 5 - Accounts Receivable

At December 31, 2010, accounts receivable totaled \$1,905,282, and consisted of the following:

Accounts Receivable – Tenants Net	\$	2,523
Accounts Receivable -- Development Fee		1,491,919
Accounts Receivable – Other		6,549
Total		<u>1,500,991</u>
Interfund		404,291
Total	\$	<u><u>1,905,282</u></u>

The Authority reviews the accounts receivable periodically. In fiscal year 2010, the Authority wrote off \$17,644 in tenant receivables, which were deemed uncollectible.

Total accounts receivable inter-fund was \$404,291 at December 31, 2010, and was offset by the accounts payable inter--fund.

Note 6 – Notes Receivable

Notes receivable totaled \$4,649,034, at December 31, 2010 as follows:

	Note	Accrued Interest
Mixed Finance - Notes Receivable	\$ 3,543,346	\$ 22,958
Money Mortgage	846,000	42,404
Other Receivables	125,000	809
Notes Receivable	134,688	25,225
	<u>\$ 4,649,034</u>	<u>\$ 91,396</u>

The Authority entered into a mixed finance agreement with American Heartland Homes One, LLC (AHH1) on June 29, 2010 to loan the company an amount not to exceed \$11,500,000 at a rate of 1.25 percent. The loan matures on December 31, 2065. The agreement calls for payments to commence on May 1, 2012, in an amount equal to available net cash flow of the company. All unpaid principal and interest are due at maturity. The Authority had advanced AHH1 \$3,543,346, at December 2010. Accrued interest totaled \$22,958.

The Authority entered into a purchase money mortgage with American Heartland Homes One, LCL (AHH1) on June 29, 2010 to loan the company \$846,000 at a rate of 4.3 percent. The mortgage requires base payments to commence on the first day of the calendar month following completion of the project and on the first day of each calendar month thereafter, in an amount equal to \$4,187. The mortgage also calls for additional annual payments to commence on May 1, 2012, in an amount equal to available net cash flow of the company. All unpaid principal and interest are due on December 31, 2035. As of December 31, 2010, the mortgage receivable was \$846,000 with accrued interest of \$42,404.

Homestead Enterprise Housing, Inc entered into an agreement with American Heartland Homes One, LLC (AHH1) on June 26, 2010 to loan the company an amount not to exceed \$250,000 at a rate of 1.25 percent. The loan matures on December 31, 2065. The agreement calls for annual payments to commence on May 1, 2010, in the amount equal to 50 percent of available net cash flow. All unpaid principal and interest are due at maturity. The organization advanced AHH1 \$125,000, at December 2010. Accrued interest totaled \$809.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2010**

Note 6 – Notes Receivable (continued)

Homestead Enterprise Housing, Inc. loaned Golden Manor, L.P. an amount not to exceed \$434,687, in December 2026. Interest is computed at 4.9 percent per annum. All accrued an unpaid interest will be due at maturity. The note matures in December 2026. Golden Manor repaid \$300,000, leaving a balance outstanding at December 2010 of \$134,687. Accrued interest on the loan totaled \$25,225.

Note 7 – Accrued Interest Receivable

Accrued interest receivable totaled \$91,396 at December 31, 2010, and consisted of interest from development loan.

Note 8 – Investment in Partnership

Investment in partnership totaled \$109,005 at December 31, 2010, and consisted of amounts invested into the mixed income partnership.

Note 9 - Prepaid Expenses

Prepaid expenses totaled \$100,887 at December 31, 2010, and consisted of prepaid insurances.

Note 10 - Material Inventories

Material inventories totaled \$53,893 at December 31, 2010. 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 2010 fiscal year.

Note 11 - Land, Structures and Equipment

The changes in land, structures and equipment for the year ended December 31, 2010, were as follows:

	<u>December 31, 2009</u>	<u>Additions, Transfers and Dispositions</u>	<u>December 31, 2010</u>
Enterprise Fund			
Low-Rent Housing			
Land and Structures	\$ 26,590,116	\$ (9,096,542)	\$ 17,493,574
Office Furniture and Equipment	759,702	224,044	983,746
Construction in Progress	1,498,031	2,808,165	4,306,196
(Less) Accumulated Depreciation	<u>(16,118,214)</u>	<u>4,741,787</u>	<u>(11,376,427)</u>
Total Low Rent	12,729,635	(1,322,546)	11,407,089
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>(14,400)</u>	<u>(180,287)</u>
Total Housing Choice Voucher	52,962	(14,400)	38,562
Total Fixed Assets	<u>\$ 12,782,597</u>	<u>\$ (1,336,946)</u>	<u>\$ 11,445,651</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 2010 totaled \$745,484. The Authority wrote off \$10,019,450 in capital assets resulting from the sale or demolition of units, and also wrote off \$6,435,678 in accumulated depreciation.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2010**

Note 12 - Accounts Payable

Accounts payable totaled \$1,285,023 at December 31, 2010, which consisted of the following:

Accounts Payable - Vendors	\$	755,139
Tenants Security Deposits		101,222
Accounts Payable - Other		4,902
Accounts Payable - PILOT		19,469
Account Payable Subtotal		<u>880,732</u>
Accounts Payable - Interfund		404,291
Total	\$	<u><u>1,285,023</u></u>

Total accounts payable inter-fund was \$404,291 at December 31, 2010, and was offset by the accounts receivable inter-fund.

Note 13 - Accrued Liabilities

Accrued liabilities totaled \$10,942 at December 31, 2010, and represented amounts due for accrued payroll taxes.

Note 14 - Trust Deposits

Trust deposits at December 31, 2010, totaled \$44,108, and consisted of amounts due under the family self-sufficiency program.

Note 15 - Deferred Revenue

Deferred revenue at December 31, 2010, totaled \$19,065, and consisted of receipts in excess of expenditures for the Housing Counseling Grant.

Note 16 - 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. Participants' benefits are fully vested after five years of participation.

The normal retirement date is the participants' 65th birthday. Participants' may elect to retire anytime after their 55th birthday, at which time they are 100% vested regardless of years of service. The amount a participant receives at early, normal, or postponed retirement is based on the amount accumulated in their account.

Retirement Plan expense for the year ended December 31, 2010, totaled \$158,285. The minimum required contribution was 9 percent. The Authority made all the required contributions to the Plan. Plan assets at December 31, 2010, totaled \$2,035,112. The Authority's total payroll expense was \$1,617,419 for the year ended December 31, 2010.

The plan does not provide for insurance to retired employees.

Note 17 - Commitments and Contingencies

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

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Note 17 - Commitments and Contingencies (continued)

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

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

Note 18 - Administrative Fees

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

Note 19 – Subsequent Events

Management has performed an analysis of activities and transactions subsequent to December 31, 2010, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended December 31, 2010. Management has performed their analysis through June 27, 2011, the date the financial statements were issued. The Authority has not evaluated events occurring after June 27, 2010 in these financial statements.

Subsequent to December 31, 2010, Hammond Elderly Housing, Inc. changed its name to Homestead Enterprise Housing, Inc., to better reflect the nature of its operations.

Note 20 – Prior Period Adjustment

The Prior Period Adjustment totaling (\$3,395,336) resulted from the demolition of units in Columbia Center to build new mixed income units.

SUPPLEMENTAL INFORMATION

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

FEDERAL GRANTOR	ANNUAL CONTRIBUTION CONTRACT #	PROGRAM OR AWARD CFDA #	FEDERAL AWARDS EXPENDED	TOTAL PROGRAM EXPENDITURES
Major Programs - U S Department of Housing and Urban Development				
<u>Direct Program</u>				
Low Rent Housing Program				
Low Rent Housing Programs	C - 918	14.850	\$ 1,655,614	\$ 3,786,574
Competitive Capital Funds Stimulus Grant		14.884	3,281,155	3,281,155
Capital Fund Program	C - 918	14.872	<u>2,874,566</u>	<u>2,874,566</u>
Total Low Rent Housing Programs			7,811,335	9,942,295
Housing Assistance Payment Programs				
Housing Choice Voucher Program	C - 2027	14.871	<u>4,716,735</u>	<u>4,986,713</u>
Total Housing Assistance Program Payments			4,716,735	4,986,713
Total U S Department of Housing and Urban Development (Major Programs)			12,528,070	14,929,008
Non-Major Programs - U S Department of Housing and Urban Development				
Housing Counselor	C - 918	14.149	<u>34,943</u>	<u>34,943</u>
Total U S Department of Housing and Urban Development (Non-Major Programs)			34,943	34,943
Total			<u>\$ 12,563,013</u>	<u>\$ 14,963,951</u>

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
FINANCIAL DATA SCHEDULE - REAC SUBMITAL BALANCE SHEET - ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010**

EXHIBIT E

Line Item	Account Description	Central Office Cost Center	Projects	Competitive Capital Funds Stimulus Grant	Housing Choice Vouchers	Housing Counseling Assistance	Component Unit	Eliminations	Total Authority
ASSETS									
Current Assets:									
Cash:									
111	111100 General Fund - Cash	\$ 408,419	\$ -	\$ -	\$ 37,505	\$ -	\$ 170,175	\$ -	\$ 616,099
115	111300 Restricted Cash				251,112				251,112
114	111400 Tenant Security Deposits / FSS Escrow				44,108				44,108
113	111600 Other Restricted								
100	Total Cash	408,419	-	-	332,725	-	170,175	-	911,319
Accounts Receivable:									
121	112000 Accounts Receivable PHA				5,243				5,243
125	112900 Accounts Receivable - Miscellaneous	1,305					1,491,919		1,493,224
126	112200 Accounts Receivable - Tenants		2,577						2,577
126.1	112298 Allowance for Doubtful Account		(53)						(53)
127.0	Notes Receivable	3,543,346	846,000				259,688		4,649,034
129.0	Accrued Interest	22,958	42,404				26,034		91,396
120	Total Accounts Receivable	3,567,609	890,928	-	5,243	-	1,777,641	-	6,241,421
131	116200 Investments - Unrestricted	215,764	2,770,461						2,986,225
132	116200 Investments - Restricted		101,223						265,163
135	116200 Investments - Restricted for Current Liabilities								
	Total Investments	215,764	2,871,684	-	163,940	-	-	-	3,251,388
142	121100 Prepaid Expenses	5,037	86,669		9,180				100,886
143	126000 Inventories - Materials		53,894						53,894
	Total Prepaids	5,037	140,563	-	9,180	-	-	-	154,780
144	Interprogram Due From		382,226			22,065		(404,291)	-
150	Total Current Assets	4,196,829	4,285,401	-	511,088	22,065	1,947,816	(404,291)	10,558,908
Non Current Assets:									
161	140000 Land	80,072	294,336		175,548				549,956
162	140020 Building	186,949	1,692,956						1,879,905
163	147500 Furniture, Equipment and Machinery - Dwelling	269,419	809,875		43,301				1,122,595
165	140800 Improvements		15,143,947						15,143,947
166	140050 Accumulated Depreciation	(77,211)	(11,299,450)		(180,287)				(11,556,948)
167	Construction in Progress	269,651	4,036,545						4,306,196
160	Total Capital Assets	728,880	10,678,209	-	38,562	-	-	-	11,445,651
174	Other Assets						109,005		109,005
180	Total Non Current Assets	728,880	10,678,209	-	38,562	-	109,005	-	11,554,656
190	Total Assets	\$ 4,925,709	\$ 14,963,610	\$ -	\$ 549,650	\$ 22,065	\$ 2,056,821	\$ (404,291)	\$ 22,113,564

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
FINANCIAL DATA SCHEDULE - REAC SUBMITAL BALANCE SHEET - LIABILITIES AND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010 (WITH COMPARATIVE TOTALS FOR 2009)**

EXHIBIT E

Line Item	Account Description	Central Office Cost Center	Projects	Competitive Capital Funds Stimulus Grant	Housing Choice Vouchers	Housing Counseling Assistance	Component Unit	Eliminations	Total Authority
				14,884	14,871	14,169			
LIABILITIES AND NET ASSETS									
Liabilities:									
Current Liabilities:									
312	211100	\$ 42,162	\$ 5,811	\$ -	101	\$ -	\$ 709,058	\$ -	\$ 757,132
321	211700	10,942							10,942
333	213700		22,577						22,377
341	211400		101,223						101,223
345	211511								-
345	211900					13,557			-
342									13,557
321	213500				4,547			(404,291)	-
347	212000	399,744			4,648			(404,291)	-
		452,848	129,411	-	44,108	13,557	709,058		905,231
	Total Current Liabilities								
Trust Deposits and Liabilities:									
353	218200				44,108				44,108
					44,108				44,108
					44,108				44,108
350									
300		452,848	129,411	-	48,756	13,557	709,058	(404,291)	949,339
	Total Liabilities								
Net Assets:									
508		728,880	10,678,209		38,562				11,445,651
511			101,223		415,052				516,275
512		3,743,981	4,054,767		47,280	8,508	1,347,763		9,202,299
508		4,472,861	14,834,199		500,894	8,508	1,347,763		21,164,225
	Total Net Assets								
600		4,925,709	14,963,610	-	549,650	22,065	2,056,821	(404,291)	22,113,564

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
FINANCIAL DATA SCHEDULE – COMBINED INCOME STATEMENT – REAC SUBMITAL
FOR THE YEAR ENDED DECEMBER 31, 2010**

EXHIBIT E

Line Item	Account Number	Description	Central Office Cost Center	Projects	Competitive Capital Fund Stimulus Grant	Housing Choice Vouchers	Housing Counseling Assistance	Component Unit	Eliminations	Total Authority
Operating Revenues										
703	3110	Dwelling Rentals	\$ -	\$ 864,085	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 864,085
704	3120	Excess Utilities	-	20,197	-	-	-	-	-	20,197
705		Total Tenant Revenue	-	884,282	-	-	-	-	-	884,282
711	3610	Interest on Investments	76,402	134,262	-	1,364	-	28,218	-	240,246
706	8020	Operating Subsidy	-	1,655,614	-	4,716,735	34,943	-	-	6,407,292
706.1	8029	Capital Grants	366,306	2,508,260	3,281,155	-	-	-	-	6,155,721
707		Management Fee	17,245	-	-	-	-	-	-	17,245
707		Book Keeping Fee	17,784	-	-	-	-	-	-	17,784
707		Other Fees	50,079	-	-	-	-	-	-	50,079
714	33000-01	HUD - Fraud Recovery	797,253	167,248	-	31,623	3,000	1,209,948	(449,838)	31,623
715	3690	Other Income	-	822,092	-	17,472	-	-	-	1,745,083
716		Gain/(Loss) on Sale of Capital Assets	-	-	-	515	-	-	-	822,092
720		Interest on Investments - Restricted	-	-	-	-	-	-	-	515
700		Total Operating Revenues	1,325,069	6,171,758	3,281,155	4,767,709	37,943	1,238,166	(449,838)	16,371,962
Operating Expenses										
910		Total Administrative Expenses	721,577	1,027,850	-	467,550	32,436	104,881	(449,838)	1,904,456
925		Total Tenant Services	-	66,480	-	66,216	-	-	-	132,696
930		Total Utilities	10,920	235,302	-	-	-	4,040	-	246,222
940		Total Ordinary Maint. & Materials	83,161	678,497	-	5,294	-	-	-	770,992
950		Total Protective Services	1,981	1,793	-	-	-	-	-	3,774
960		Total Insurance	11,611	120,487	-	16,102	-	-	-	148,200
963		Payment in Lieu of Taxes	-	19,469	-	-	-	-	-	19,469
964		Bad Debts - Collection Losses	-	18,687	-	-	-	-	-	18,687
962		Other General Expenses	10,416	38,120	-	10,651	2,507	108,921	(449,838)	61,694
		Total General Expenses	839,666	2,206,685	-	565,813	34,943	108,921	(449,838)	3,306,190
971		Extraordinary Maintenance - Contract Costs	-	3,107	-	-	-	-	-	9,139
973		House Assistance Payments	6,032	-	-	4,384,833	-	-	-	4,384,833
973		HAP - Port Ins	-	-	-	14,467	-	-	-	14,467
974		Depreciation Expense	38,305	692,779	-	14,400	-	-	-	745,484
		Total Other	44,337	695,886	-	4,413,700	-	-	-	5,153,923
969		Total Operating Expenses	884,003	2,902,571	-	4,979,513	34,943	108,921	(449,838)	8,460,113
		Change in Net Assets	\$ 441,066	\$ 3,269,187	\$ 3,281,155	\$ (211,804)	\$ 3,000	\$ 1,129,245	\$ -	\$ 7,911,849

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
FINANCIAL DATA SCHEDULE – REAC SUBMITTAL BALANCE SHEET – LIABILITIES AND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010 (WITH COMPARATIVE TOTALS FOR 2009)**

EXHIBIT E

Line Item	Account Description	Central Office Cost Center	Projects	Competitive Capital Fund Stimulus Grant	Housing Choice Vouchers	Housing Counseling Assistance	Component Unit	Eliminations	Total Authority
	Operating Expenses								
911	Administrative Salaries	470,788	406,508	-	241,856	29,053	-	-	1,148,205
912	Auditing Fees	7,006	14,012	-	7,006	-	15,000	-	43,024
915	Employee Benefit Contribution - Admin	144,220	146,371	-	91,306	2,223	-	(449,838)	384,120
916	Other Operating - Admin.	99,563	460,959	-	127,382	1,160	89,881	-	329,107
	Total Administrative Expenses	721,577	1,027,850	-	467,550	32,436	104,881	(449,838)	1,904,456
921	Tenant Services - Salaries	-	45,699	-	41,132	-	-	-	86,831
922	Resident Activity Funds	-	-	-	-	-	-	-	-
923	Employee Benefit Contribution - Tenants	-	20,214	-	25,084	-	-	-	45,298
924	Tenant Services, Contract Costs, Other	-	567	-	-	-	-	-	567
	Total Tenant Services	-	66,480	-	66,216	-	-	-	132,696
931	Water	(390)	45,946	-	-	-	-	-	45,556
932	Electricity	9,564	149,953	-	-	-	-	-	159,517
933	Gas	1,746	39,403	-	-	-	-	-	41,149
	Total Utilities	10,920	235,302	-	-	-	-	-	246,222
941	Ordinary Maintenance and Operations - Labor	13,119	303,950	-	-	-	-	-	317,069
942	Ord. Maint. and Operations - Materials	550	35,945	-	-	-	4,040	-	40,535
943	Ord. Maint. and Operations - Contracts	54,799	191,749	-	5,294	-	-	-	251,842
945	Employee Benefit Contribution - Maint	14,693	146,853	-	-	-	-	-	161,546
	Total Ordinary Maint. & Materials	83,161	678,497	-	5,294	-	4,040	-	770,992
951	Protective Services - Labor	-	711	-	-	-	-	-	711
953	Protective Services - Other	1,981	1,082	-	-	-	-	-	3,063
	Total Protective Services	1,981	1,793	-	-	-	-	-	3,774
961	Insurance	11,611	120,487	-	16,102	-	-	-	148,200
963	Payment in Lieu of Taxes	-	19,469	-	-	-	-	-	19,469
964	Bad Debts - Collection Losses	-	18,687	-	-	-	-	-	18,687
962	Other General Expenses	10,416	38,120	-	10,651	2,507	-	-	61,694
	Total General Expenses	22,027	196,763	-	26,753	2,507	-	-	248,050
971	Extraordinary Maintenance - Contract Costs	6,032	3,107	-	-	-	-	-	9,139
973	House Assistance Payments	-	-	-	4,384,833	-	-	-	4,384,833
978	FSS Escrow - Section 8	-	-	-	14,467	-	-	-	14,467
974	Depreciation Expense	38,305	692,779	-	14,400	-	-	-	745,484
	Total Other	44,337	695,886	-	4,413,700	-	-	-	5,153,923
969	Total Operating Expenses	\$ 884,003	\$ 2,902,571	\$ -	\$ 4,979,513	\$ 34,943	\$ 108,921	\$ (449,838)	\$ 8,460,113

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 FINANCIAL DATA SCHEDULE – COMBINED INCOME STATEMENT – REAC SUBMITAL
 FOR THE YEAR ENDED DECEMBER 31, 2010**

EXHIBIT F

	2010	2009
REVENUES		
HUD Program Grants	\$ 29,435	\$ 37,775
Other Income	3,000	
TOTAL REVENUES	<u>32,435</u>	<u>37,775</u>
EXPENSES		
Administrative	32,436	29,602
Tenant Services	-	-
General Expense	2,507	5,665
TOTAL EXPENSES	<u>34,943</u>	<u>35,267</u>
CHANGE IN NET ASSETS	(2,508)	2,508
NET ASSETS AT DECEMBER 31, 2009	5,508	-
NET ASSETS AT DECEMBER 31, 2010	<u>\$ 3,000</u>	<u>\$ 2,508</u>

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 STATEMENT OF ACTIVITIES – BUDGET AND ACTUAL
 CONGRAGRATE HOUSING
 FOR THE YEAR ENDED DECEMBER 31, 2010**

EXHIBIT G

	BUDGET	ACTUAL	VARIANCE
REVENUES			
HUD Program Grants	\$ 29,435	\$ 29,435	\$ -
Other Income	3,000	3,000	-
TOTAL REVENUES	<u>32,435</u>	<u>32,435</u>	<u>-</u>
EXPENSES			
Administrative	30,214	30,214	-
General Expense	4,729	4,729	-
TOTAL EXPENSES	<u>34,943</u>	<u>34,943</u>	<u>-</u>
CHANGE IN NET ASSETS	(2,508)	(2,508)	-
NET ASSETS AT DECEMBER 31, 2009	5,508	5,508	-
NET ASSETS AT DECEMBER 31, 2010	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ -</u>

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 STATEMENT OF CAPITAL FUND COSTS - UNCOMPLETED
 FOR THE YEAR ENDED DECEMBER 31, 2010**

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

EXHIBIT H

	501-06	501-07	501-08	501-09	501-10	Total
Funds Approved	\$ 1,242,721	\$ 1,207,475	\$ 1,171,599	\$ 982,144	\$ 975,015	\$ 5,578,954
Funds Expended	<u>1,242,721</u>	<u>1,207,475</u>	<u>1,078,393</u>	<u>356,760</u>	<u>15,359</u>	<u>3,900,708</u>
Excess\Deficit) of Funds Approved	\$ <u>-</u>	\$ <u>-</u>	\$ <u>93,206</u>	\$ <u>625,384</u>	\$ <u>959,656</u>	\$ <u>1,678,246</u>
Funds Advanced	\$ 1,242,721	\$ 1,207,475	\$ 1,078,393	\$ 353,332	\$ 14,299	\$ 3,896,220
Funds Expended	<u>1,242,721</u>	<u>1,207,475</u>	<u>1,078,393</u>	<u>356,760</u>	<u>15,359</u>	<u>3,900,708</u>
Excess\Deficit) of Funds Advanced	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(3,428)</u>	\$ <u>(1,060)</u>	\$ <u>(4,488)</u>

- 1 Capital Fund Program costs for Phases IN 36 - 206, IN 36 - 207, IN 36 - 208, IN 36 - 209, and IN 36-210, are shown above.
- 2 Cost additions during the audit period were as follows; IN 36 - 206, \$6,042, IN 36 - 207, \$347,940, IN 36-208, \$633,140, IN 36 - 209, \$356,691, and IN 36 - 210, \$15,359, and, accordingly, were audited by Velma Butler & Company, Ltd.

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 STATEMENT OF CAPITAL FUND COSTS - UNCOMPLETED
 FOR THE YEAR ENDED DECEMBER 31, 2010**

**ANNUAL CONTRIBUTION CONTRACT C - 918
 PHASES IN36PO10 - 297, 298 and 299
 Capital Fund Recovery Grant and Capital Fund Recovery Competitive Grant**

EXHIBIT H

	209E CFRC	109T CFRC	Total	501-09 CFRG
Funds Approved	\$ 572,000	\$ 10,000,000	\$ 10,572,000	\$ 1,613,194
Funds Expended	<u>296,175</u>	<u>2,984,980</u>	<u>3,281,155</u>	<u>1,613,194</u>
Excess\Deficit of Funds Approved	<u>\$ 275,825</u>	<u>\$ 7,015,020</u>	<u>\$ 13,853,155</u>	<u>\$ -</u>
Funds Advanced	\$ 295,830	\$ 2,984,980	\$ 3,280,810	\$ 1,613,194
Funds Expended	<u>296,175</u>	<u>2,984,980</u>	<u>3,281,155</u>	<u>1,613,194</u>
Excess\Deficit of Funds Advanced	<u>\$ (344)</u>	<u>\$ -</u>	<u>\$ (344)</u>	<u>\$ -</u>

- 1 Capital Fund Program costs for Phases IN 36 - 206, IN 36 - 297, IN 36 - 298, IN 36 - 299 and are shown above.
- 2 Cost additions during the audit period were as follows; IN 36 - 297, \$296,175, IN 36 - 298, \$2,984,980 and IN 36- 299, \$1,515,394, 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, 2010, and have issued our report thereon dated 6/27/11. 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.

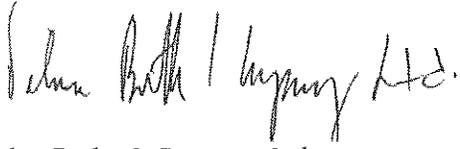
A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 of the company.

Velma Butler & Company, Ltd.
Chicago, Illinois

June 27, 2011



**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, 2010. 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, 2010.

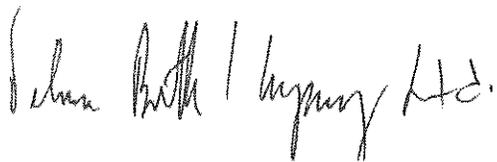
Internal Control Over Compliance

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 black ink, appearing to read "Velma Butler / Company Ltd." The signature is written in a cursive, somewhat stylized font.

Velma Butler & Company, Ltd.
Chicago, Illinois

June 27, 2011

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2010**

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
 Deficiencies identified not considered to be material weaknesses?
 Yes None reported
 Noncompliance material to financial statements noted?
 Yes None reported

Federal Awards

Internal control over major programs:

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

Type of auditors’ report issued on compliance for major programs: **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, 2010**

Section II – Financial Statement Findings

There were no reportable findings for the fiscal year ended December 31, 2010.

Section III – Federal Award Findings and Questioned Costs

There were no reportable findings for the fiscal year ended December 31, 2010.

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATUS OF PRIOR YEAR OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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, 2010**

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, 2010**

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.