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May 19, 2009

Board of Commissioners
The Housing Authority of the
City of Hammond
5925 Calumet Ave.
Hammond, IN 46320

We have reviewed the audit report prepared by Velma Butler & Company, LTD, Independent Public Accountants, for the period January 1, 2007 to December 31, 2007. 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, 2007, 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.

We call your attention to the findings in the report. Page 32 contains one current audit finding. Page 33 contains the status of one prior audit finding.

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, 2007,
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



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 governmental and business-type activities, of the Housing Authority of the City of Hammond, Indiana (the Authority), as of and for the year ended December 31, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

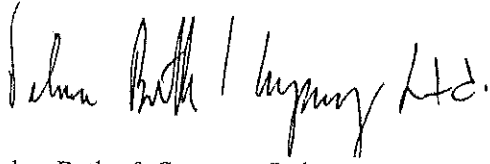
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental and business-type activities of the Housing Authority of the City of Hammond, Indiana, as of December 31, 2007, and the respective changes in financial 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 May 3, 2008, 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 May 3, 2008, 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 3-8, 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 of the purpose for forming an opinion on the financial statements taken as a whole. The accompanying financial data schedules as of December 31, 2007, 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 firm.

Velma Butler & Company, Ltd.
Chicago, Illinois

May 3, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

**HOUSING AUTHORITY of the CITY
of HAMMOND, INDIANA**
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May 3, 2008

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, 2007.

We are pleased to submit the financial statements of the Housing Authority of the City of Hammond, Indiana for the year ended December 31, 2007. 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

- The Authority had a very positive year. Net assets increase by \$592 thousand, from \$15,726 thousand at December 31, 2006, to \$16,318 thousand, at December 31, 2007.
- Revenues increased by \$888 thousand, lead primarily by an increase of \$758 in operating revenues and \$130 in non-operating revenues. Operating revenues increased because of increases in the Section 8 housing choice voucher program. Non-operating increases resulted from increases in the capital grant program and interest income.
- Even though operating expenses increased by \$171 thousand, to \$8,240 thousand from \$8,069, the increase was not enough to offset the increases in revenues. The increase occurred primarily in two areas:
 - Administrative expenses increased by \$380 thousand, from \$1,366 thousand at December 31, 2006 to \$1,746 thousand at December 31, 2007 and
 - Tenant Services expense, increased by \$20 thousand, from \$140 thousand at December 31, 2006 to \$160 thousand at December 31, 2007.
- Total assets increased by \$532, primarily because of increases in cash at December 31, 2007. Net fixed assets decreased by \$117 to \$13,730 thousand at December 31, 2007, from \$13,847, at December 31, 2006.
- Total liabilities decreased slightly from \$482 thousand at December 31, 2006 to \$422 thousand, at December 31, 2007.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's basic financial statements are presented as enterprise funds and governmental funds. The enterprise fund 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 governmental funds are the housing counseling program funds and the disaster recovery program fund.

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

Governmental Funds are used to account for the Authority's special grant activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting with only current assets and current liabilities included on the balance sheet. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

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, 2007 increased to approximately \$16.3 million from \$15.7 million at December 31, 2006, a 3.8% increase.

Total assets at December 31, 2007 reached approximately \$16.7 million, a 3.3% increase from the December 31, 2006 balance of \$16.2 million. Total liabilities decreased by 12.4% to approximately \$422:

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

	<u>2007</u>	<u>2006</u>	<u>Change</u>	<u>Percent</u> <u>Change</u>
Current Assets	\$ 3,010	\$ 2,361	\$ 649	27.5%
Non-current Assets	<u>13,730</u>	<u>13,847</u>	<u>(117)</u>	-0.8%
Total Assets	<u>\$ 16,740</u>	<u>\$ 16,208</u>	<u>\$ 532</u>	3.3%
Liabilities	\$ 422	\$ 482	\$ (60)	-12.4%
Invested in Capital Assets, Net	13,730	13,848	(118)	-0.9%
Unrestricted	<u>2,588</u>	<u>1,878</u>	<u>710</u>	37.8%
Total Net Assets	<u>16,318</u>	<u>15,726</u>	<u>592</u>	3.8%
Total Liabilities and Net Assets	<u>\$ 16,740</u>	<u>\$ 16,208</u>	<u>\$ 532</u>	3.3%

Current assets increased by 27.5%, or approximately \$649 thousand, primarily due to increases in accounts receivable and cash.

Non-current assets decreased by \$117 thousand or .8% from \$13.8 million to \$13.7 million primarily because of depreciation.

Change In Net Assets

The change in net assets at December 31, 2007 increased approximately \$592 thousand, compared to a \$125 thousand decrease for the period ended December 31, 2006. The increase occurred because of positive operating results.

As shown in Table 2, the Authority's total revenues, which included HUD operating and Capital operating grants, tenant rents and other income increased by \$888 thousand or 11.2 %, and non-operating revenues consisting of Capital grants and interest increased by \$130 thousand or 15.3%.

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

	<u>2007</u>	<u>2006</u>	<u>Change</u>	<u>Percent</u> <u>Change</u>
Operating Revenues	\$ 7,850	\$ 7,092	\$ 758	10.7%
Non-Operating Revenues	<u>982</u>	<u>852</u>	<u>130</u>	15.3%
Total Revenues	<u>\$ 8,832</u>	<u>\$ 7,944</u>	<u>\$ 888</u>	11.2%
Operating Expenses	7,187	7,012	175	2.5%
Depreciation	<u>1,053</u>	<u>1,057</u>	<u>(4)</u>	-0.4%
Total Expenses	<u>\$ 8,240</u>	<u>\$ 8,069</u>	<u>\$ 171</u>	2.1%
Change in Net Assets	592	(125)	717	-573.6%
Transfers from Equity		47	(47)	-
Total Net Assets, Beginning	<u>15,726</u>	<u>15,804</u>	<u>(78)</u>	-0.5%
Net Assets at End of Period	<u>\$ 16,318</u>	<u>\$ 15,726</u>	<u>\$ 592</u>	3.8%

Table 3 shows that the Authority's total operating expenses increased by \$171 thousand or 2.2% to approximately \$8.2 million in 2007.

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

	<u>2007</u>	<u>2006</u>	<u>Change</u>	<u>Percent</u> <u>Change</u>
Administrative Expenses	\$ 1,746	\$ 1,366	\$ 380	27.8%
Tenant Services	160	140	20	14.3%
Utilities Expenses	297	352	(55)	-15.6%
Ordinary Maintenance	713	677	36	5.3%
Protective Services	67	159	(92)	-57.9%
General Expenses	268	290	(22)	-7.6%
Extra Ordinary Maintenance	27	9	18	200.0%
Housing Assistance Payments	3,909	4,019	(110)	-2.7%
Depreciation Expense	1,053	1,057	(4)	-0.4%
Total Operating Expenses	<u>\$ 8,240</u>	<u>\$ 8,069</u>	<u>\$ 171</u>	2.2%

The increase in administrative expenses was due to increased expenditures under the Capital Grants Program. Tenant services were higher because of a salary increase under the Housing Counseling Program.

The decrease in protective services was due to a decrease in staff. HAP payments decreased because the Authority paid less in HAP payments per tenant than in prior years.

BUDGETARY CONTROL

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

CAPITAL ASSETS

Capital assets decreased by \$117,317 from \$13,847,520 to \$13,730,202 as shown in the table below:

	<u>December 31, 2006</u>	<u>Additions and</u> <u>Transfers in</u>	<u>December 31, 2007</u>
Land and Structures	\$ 26,858,859	\$ (1,923,791)	\$ 24,935,068
Office Furniture and Equipment	906,031	21,226	927,257
Construction in Progress	1,275,690	914,045	2,189,735
Less Accumulated Depreciation	(15,193,060)	871,203	(14,321,857)
Total Fixed Assets	<u>\$ 13,847,520</u>	<u>\$ (117,317)</u>	<u>\$ 13,730,202</u>

The changes in capital assets consisted of mainly leasehold improvements and under the capital grant program and accumulated depreciation. The Authority demolished and wrote-off 45 units with a value of \$2,082,479.

MAJOR INITIATIVES

The Hammond Housing Authority continues to provide comprehensive services in the City of Hammond. It provides affordable housing for low to moderate income individuals, and families, senior citizens, and also the handicapped and disabled population. With 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 in an area filled with many new challenges in the field of federally subsidized housing.

Following years of planning, hard work, and persistence to bring about what was written on paper for Columbia Center's Revitalization; it finally was no longer just a Vision, it was happening. Yes, before our eyes the first brick was hit with the sledge hammer on the groundbreaking day January 11th, 2007 on the corner of Columbia and 175th. This was followed by the demolition of 45 units along Columbia, Columbia Circle South and 175th. Columbia Center was making way for the construction of an 80 unit, 4 story building which would be named Golden Manor at 1201 175th Street. This is one of many phases to Revitalized the almost 70 year old community which has served its purpose as traditional public housing.

In February 2007, staff hit the ground running once again for the next phase of revitalization of Columbia Center. This Phase is for the demolition of 89 two story units and the new construction of 68 new town homes along the remainder of 175th and part of Chestnut. The Hammond Housing Authority's affiliate, Hammond Elderly Housing Inc., submitted an application for Low Income Tax Credits to the Indiana Housing Finance Authority. The awards are very competitive throughout the state of Indiana, approx. 50 applications were submitted and 25 were awarded. The application was selected and will award close to approximately 7 million worth of tax credits. These tax credits provide equity funding for the new construction of the 68 town homes, which will be name Saxony. Saxony was a Village in this south part of Hammond before it was annexed as part of Hammond.

The Housing Authority was recruited to make several Local and State presentations on its revitalization efforts made possible with the Tax Credits. It was an honor to present our agency as a model for change in public housing.

In the May of 2007 Mr. Nate Robe, Facility Management PHRS from the U.S. Department of Housing & Urban Development conducted a monitoring review. On June 5, 2007 we received the outcome of this review. In the body of the letter the following was stated. *"The review process with Dan Genovese, Director of Maintenance, Brain McKerrall, Modernization Director and Maria Becerra, as well as the actual site visits to the HA's sites, portray a positive image of professional facility management knowledge, pro-active approaches and skills."*

The HUD monitoring continued in June for all areas of the public housing administration and the Section 8 rental assistance program. In the letter date August 23, 2007 the following was stated as the outcome of the overall review, *"Our office (HUD) is very comfortable with the day-to-day operation of the Housing Authority of the City of Hammond, In. It is a well-run PHA and we are very pleased with the outcome of this review. Overall, the review concludes that the Hammond Housing Authority (HHA) is a very well run PHA and supports its "High Performer" status for both the Public Housing and Housing Choice Voucher program. Employees exhibit clear direction, competency, knowledge of HUD policies and procedures, consistency in actions, good customer service and excellent ability. Management of the agency demonstrates why the scores of "High Performer" in all of its programs are justified."*

The Hammond Housing Authority's Public Housing Department PHAS rating of 92 % for the year 2006 and is pending the final score determination for 2007. The low rent housing moved in 70 individuals/families in 2007 and relocated 89 residents to prepare for the Saxony town home phase on 175th and Chestnut.

The Housing Choice Voucher department received a SEMAP rating of 95% for the 2007 year. The agency partnered with 112 new Landlords.

The HUD Certified Housing Counselor was able to provide counseling to 376 clients. These services include Homebuyer Counseling, Homebuyer Education Programs, Mortgage Delinquency Prevention or Default, Home Equity Conversion, Rental Counseling, Homeless and Shelter counseling.

The Maintenance Department achieved its 2007 goals it reduced rehab turnaround time, improved inventory control, training personnel, developed maintenance procedures manual, ongoing preventative maintenance and reduced workers compensation accidents.

The Modernization Department submitted a demolitions and disposition application, which was approved. The Housing Authority disposed of a parcel of land located from the current Linden Place to Chestnut and a small corner parcel up Chestnut and the north boundary being Columbia Circle South Street. Staff then successfully relocated 89 public housing residents from the units scheduled for demolition in January 2008.

The Security Department's efforts led to an overall reduction in police calls from the previous year. Councilman Al Salinas continued his ongoing financial support for the security department by contributing \$50,000 dollars. Councilwoman Cynthia Berdine-Matasovsky also supported the department with a contribution of \$15,000 dollars.

Overall, the agency continued to maintain, improve, and move forward on fulfilling its Mission Statement.

Your public servant,

A handwritten signature in cursive script that reads "Maria C. Becerra".

Maria C. Becerra
Executive Director

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 STATEMENT OF NET ASSETS
 ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 2007, (WITH COMPARATIVE TOTALS FOR 2006)

EXHIBIT A

	PROPRIETARY FUNDS		GOVERNMENT FUNDS		2007	2006
	LOW RENT	SECTION 8	COUNSELING GRANT	DISASTER ASSISTANCE	TOTAL	TOTAL
ASSETS						
<u>CURRENT ASSETS</u>						
Cash and Cash Equivalents	\$ 56,280	\$ 665,201	\$ 2,637	\$ 851	\$ 724,968	\$ 251,917
Investments	1,530,515	183,544			1,714,059	1,757,738
Accounts Receivable, Net Allowance	313,767	9,872			323,639	108,678
Prepaid Expenses	144,470	8,460			152,930	159,670
Material Inventories	94,212				94,212	82,711
Total Current Assets	<u>2,139,244</u>	<u>867,077</u>	<u>2,637</u>	<u>851</u>	<u>3,009,809</u>	<u>2,360,714</u>
<u>NON CURRENT ASSETS</u>						
Land, Structures and Equipment, Net	13,670,040	60,162			13,730,202	13,847,520
TOTAL ASSETS	<u>\$ 15,809,284</u>	<u>\$ 927,239</u>	<u>\$ 2,637</u>	<u>\$ 851</u>	<u>\$ 16,740,011</u>	<u>\$ 16,208,234</u>
LIABILITIES AND NET ASSETS						
<u>CURRENT LIABILITIES</u>						
Accounts Payable	\$ 304,733	\$ 19,777	\$	\$	\$ 324,510	\$ 276,360
Accrued Liabilities	52,572	12,925	840		66,337	103,259
Trust Deposits - Current Portion		5,331			5,331	30,262
Deferred Revenues			1,797	851	2,648	12,151
Total Current Liabilities	<u>357,305</u>	<u>38,034</u>	<u>2,637</u>	<u>851</u>	<u>398,826</u>	<u>422,032</u>
<u>NON-CURRENT LIABILITIES</u>						
Trust Deposits - Non-Current Portion		<u>22,727</u>			<u>22,727</u>	<u>60,004</u>
Total Liabilities	<u>357,305</u>	<u>60,760</u>	<u>2,637</u>	<u>851</u>	<u>421,553</u>	<u>482,036</u>
<u>NET ASSETS</u>						
Unrestricted Net Assets	1,781,939	806,317			2,588,256	1,878,678
Investment in Fixed Assets	13,670,040	60,162			13,730,202	13,847,520
Total Net Assets	<u>15,451,979</u>	<u>866,479</u>	<u>0</u>	<u>0</u>	<u>16,318,458</u>	<u>15,726,198</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,809,284</u>	<u>\$ 927,239</u>	<u>\$ 2,637</u>	<u>\$ 851</u>	<u>\$ 16,740,011</u>	<u>\$ 16,208,234</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 ALL FUND TYPES AND ACCOUNT GROUPS
 FOR THE YEAR ENDED DECEMBER 31, 2007, (WITH COMPARATIVE TOTALS FOR 2006)

EXHIBIT B

	PROPRIETARY FUNDS		GOVERNMENT FUNDS		2007	2006
	LOW RENT	SECTION 8	COUNSELING	DISASTER	TOTAL	TOTAL
			GRANT	ASSISTANCE	TOTAL	TOTAL
OPERATING REVENUES						
Tenant Rents	\$ 950,568	\$	\$	\$	\$ 950,568	\$ 972,848
HUD Operating Grants	1,821,017	4,828,727	24,404	19,871	6,694,019	5,746,104
Other Income	126,460	78,963			205,423	372,784
TOTAL OPERATING REVENUES	2,898,045	4,907,690	24,404	19,871	7,850,011	7,091,736
OPERATING EXPENSES						
Administrative Expenses	1,371,206	357,555	231	16,648	1,745,640	1,365,784
Tenant Services	60,319	75,783	24,174		160,276	140,176
Utilities Expenses	297,331				297,331	352,229
Ordinary Maintenance	712,322	354			712,676	676,327
Protective Services	67,106				67,106	159,003
General Expenses	240,881	27,351			268,232	290,129
Extra Ordinary Maintenance	27,108				27,108	9,263
Housing Assistance Payments		3,905,415		3,223	3,908,638	4,018,787
Depreciation Expense	1,045,387	7,201			1,052,588	1,056,927
TOTAL OPERATING EXPENSES	3,821,661	4,373,659	24,404	19,871	8,239,596	8,068,625
OPERATING INCOME (LOSS)	(923,616)	534,031	0	0	(389,585)	(976,889)
NON-OPERATING REVENUES (EXPENSES)						
Interest Income	82,832	16,272			99,104	70,303
Unrealized Loss on Investments	(31,303)				(31,303)	(27,783)
HUD Capital Grants	914,045				914,045	809,237
NON-OPERATING REVENUES (EXPENSES)	965,573	16,272	0	0	981,846	851,757
CHANGE IN NET ASSETS	41,957	550,303	0	0	592,260	(125,132)
PRIOR PERIOD ADJUSTMENTS					0	47,429
NET ASSETS AT BEGINNING OF PERIOD	15,410,022	316,176		0	15,726,198	15,803,901
NET ASSETS AT END OF PERIOD	\$ 15,451,979	\$ 866,479	\$ 0	\$ 0	\$ 16,318,458	\$ 15,726,198

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 STATEMENTS OF CASH FLOWS - ALL ENTERPRISE FUNDS
 ALL FUND TYPES AND ACCOUNT GROUPS
 FOR THE YEAR ENDED DECEMBER 31, 2007, (WITH COMPARATIVE TOTALS FOR 2006)

EXHIBIT C

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Tenants and Others	\$ 7,805,735	\$ 7,091,736
Payments to Employees	(2,056,194)	(1,443,645)
Payments to Vendors and Suppliers	(5,370,231)	(5,640,329)
Net Cash Provided by Operating Activities	<u>379,310</u>	<u>7,762</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase)/Sale of Investments	43,679	(38,999)
Interest Income	99,104	70,303
Unrealized Loss on Investments	(31,303)	(27,783)
Net Cash (Used In) Provided by Investing Activities	<u>111,480</u>	<u>3,521</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants	914,045	809,237
Investment in Fixed Assets	(21,226)	(10,969)
Investment in Construction Activities	(914,045)	(809,237)
Prior Period Adjustment	0	47,429
Net Cash (Used In) Provided by Capital and Related Activities	<u>(21,226)</u>	<u>36,460</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>469,564</u>	<u>47,743</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL YEAR	251,917	204,174
CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR	<u>\$ 721,481</u>	<u>\$ 251,917</u>
Reconciliation of Operating Loss to Net Cash		
Used by Operating Activities		
	\$ (389,585)	\$ (976,889)
Adjustments To Reconcile		
Depreciation	1,052,588	1,056,927
Change in Assets and Liabilities		
(Increase)/Decrease in Accounts Receivable	(214,961)	4,331
(Increase)/Decrease in Prepaid Expenses	6,740	9,237
(Increase)/Decrease in Material Inventories	(11,501)	(6,502)
Increase/(Decrease) in Accounts Payable	48,150	22,890
Increase/(Decrease) in Accrued Liabilities	(36,922)	(30,222)
Increase/(Decrease) in Trust Deposits	(62,209)	(6,735)
Increase/(Decrease) in Deferred Revenues	(12,990)	19,232
Net Cash Provided by Operating Activities	<u>\$ 379,310</u>	<u>\$ 92,269</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES		
NONE		

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Note 1 - Organization and Program Description

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

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

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

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

Low Rent Housing - The low rent-housing program is the primary operating fund of the Authority. It provides subsidized housing to low-income residents. The Authority is the owner of 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. During fiscal year 2007, the Authority spent \$24,404, in housing counseling grants.

Disaster Recovery - This program provided housing for people who suffered a disaster. For 2007, grant expenditures totaled \$19,871.

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.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 continued . . .**

Note 1 – Organization and Program Description (continued)

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.

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

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

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

Governmental Funds are used to account for the Authority's special grant activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting with only current assets and current liabilities included on the balance sheet. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

The Authority considers all revenues available if they are collectible within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

The Authority's governmental funds are special revenue funds that account for revenues sources that are legally restricted to expenditures for specific purposes (not including expendable major capital projects).

As of December 31, 2007, there were no significant revenues not considered measurable and available. The Authority considers all federal subsidies due at December 31, 2007, to be measurable and available and, therefore, these amounts have been accrued. Expenditures generally are recognized when an event or transaction is expected to draw upon current spendable resources.

C. Fund Accounting

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

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 continued...**

Note 1 - Organization and Program Description (continued)

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 proprietary funds are *Enterprise Funds* used to 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.

Enterprise Funds - The Enterprise funds are used to account for the activities of the low rent and housing choice voucher programs. Under the low rent-housing program, the fund owns and operates 596 housing units. Financing for the acquisition and rehabilitation of these properties was obtained through several HUD grants and long-term debt issues. Their operations and maintenance are funded principally through tenant rent, federal operating subsidies and grants. Under the housing choice voucher program, the fund monitors 576 privately owned housing units. Operations are funded through housing assistance payments from HUD.

Governmental Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are restricted to expenditures that are specified purposes by legal grant, regulating provisions or administrative action. The housing counselor and other block grant programs are classified as special revenue funds.

Budgets - Budgets are adopted for applicable special revenue and 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) and special revenue 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 - 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.

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, 2007, 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.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 continued...**

Note 1 - Organization and Program Description (continued)

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

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

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

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

Note 2 - Budget Information

The Authority is required by contractual agreements to adopt annual operating budgets for all its special revenue and 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.

Special Revenue Funds - Budgets for the public housing counselor grant are approved for the length of the grant. Appropriations are authorized at the fund and expenditure category level, and effective budgetary control is at the fund level and achieved through the program's or grant's periodic budgeting and reporting requirements.

Enterprise Funds - Low rent housing 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 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.

The housing choice voucher-operating budget is prepared and the Authority's Board of Commissioners approves the operating expenditure budget. Budgetary control is at the fund level (excess/deficiency) of revenues over expenditures.

Note 3 - Cash and Cash Equivalents

Cash and cash equivalents totaled \$724,968 at December 31, 2007, of amounts maintained in commercial checking accounts and are readily available. HUD regulations require authorities to maintain funds in accounts that are fully collateralized by United States government securities. Cash amounts in excess of the \$100,000 insured by the government were collateralized by government securities and held in the pledging financial institutions' trust departments in the Authority's name.

Note 4 - Investments

At December 31, 2007, investments totaled \$1,714,059, which included marketable securities, money market accounts and escrow accounts. The Housing Authority's investments in marketable securities are stated at fair value at year-end.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 continued...**

Note 4 – Investments (continued)

Fair values and unrealized gain/(loss) at December 31, 2007, are summarized as follows:

Description	Category 2		Unrealized Gain/ (Loss)
	Book Value	Market Value	
Fixed Income Bonds	\$ 1,561,818	\$ 1,530,515	\$ (31,303)
Money Market Fund	183,544	183,544	-
Total	<u>\$ 1,745,362</u>	<u>\$ 1,714,059</u>	<u>\$ (31,303)</u>

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

Accounts receivable, at December 31, 2007, consisted of the following:

Accounts Receivable – Interfund Transfers	\$ 135,191
Accounts Receivable – Tenants	12,981
Accounts Receivable – HUD	136,159
Accounts Receivable – PHA	8,904
Accounts Receivable – Other	30,404
Total	<u>\$ 323,639</u>

The Authority reviews the accounts receivable periodically. In fiscal year 2007, the Authority wrote off \$21,150 in tenant receivables, which were deemed uncollectible.

Note 6 - Prepaid Expenses

Prepaid expenses totaled \$152,930 at December 31, 2007, and consisted of prepaid insurance.

Note 7 - Material Inventories

Material inventories totaled \$94,212 at December 31, 2007. 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 2007 fiscal year.

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 continued...

Note 8 - Land, Structures and Equipment

The changes in land, structures and equipment for the year ended December 31, 2007, were as follows:

	<u>December 31, 2006</u>	Additional and <u>Transfers in</u>	<u>December 31, 2007</u>
Enterprise Fund			
Low-Rent Housing			
Land and Structures	\$ 26,778,859	\$ (1,923,791)	\$ 24,855,068
Office Furniture and Equipment	767,183	21,226	788,409
Construction in Progress	1,275,690	914,045	2,189,735
(Less) Accumulated Depreciation	<u>(15,041,574)</u>	<u>878,403</u>	<u>(14,163,171)</u>
Total Low Rent	13,780,158	(110,117)	13,670,040
Housing Choice Voucher Program			
Land and Structures	80,000		80,000
Office Furniture and Equipment	138,849		138,849
(Less) Accumulated Depreciation	<u>(151,486)</u>	<u>(7,200)</u>	<u>(158,686)</u>
Total Housing Choice Voucher	67,363	(7,200)	60,163
Total Fixed Assets	<u>13,847,520</u>	<u>(117,317)</u>	<u>13,730,202</u>

Changes in land, structures and equipment during the audit period consisted of total leasehold 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 2007 totaled \$1,052,588.

During the year, the Authority demolished 45 units to construct an 80 unit, 4 story building. The 45 units had a value of \$2,082,479 and were written off from both building and accumulated depreciation.

Note 9 - Accounts Payable

Accounts payable totaled \$324,510 at December 31, 2007, which consisted of the following:

Accounts Payable - Vendors	\$ 34,863
Tenants Security Deposits	134,860
Accounts Payable - Interfund Transfers	135,191
Accounts Payable - Other Governments	<u>19,597</u>
Total	<u>\$ 324,510</u>

Note 10 - Accrued Liabilities

Accrued liabilities totaled \$66,337 at December 31, 2007, 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.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 continued...**

Note 11 - Trust Deposits

Trust deposits at December 31, 2007, totaled \$28,058, and consisted of amounts due under the family self-sufficiency program as follows:

Trust Deposits - Current Portion	\$	5,331
Trust Deposits - Non-Current Portion		<u>22,727</u>
Total	\$	<u><u>28,058</u></u>

Note 12 - Deferred Revenue

Deferred revenue at December 31, 2007, totaled \$2,648, and consisted of receipts in excess of expenditures for the special grant programs.

Note 13 - Employee Benefit Plans

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

Pension expense for the year ended December 31, 2007, totaled \$145,755. The minimum required contribution was 9 percent. The Authority made all the required contributions to the Plan. Plan assets at December 31, 2007, totaled \$1,931,713.

The Authority's total payroll expense was \$1,330,501 for the year ended December 31, 2007.

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.

Note 14 - Commitments and Contingencies

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

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

Note 15 - Administrative Fees

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

Note 16 - Allocation of Cost

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

SUPPLEMENTAL INFORMATION

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2007

EXHIBIT D

FEDERAL GRANTOR	ANNUAL CONTRIBUTION OR AWARD 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	\$ 1,360,366	\$ 3,513,059
Capital Fund Program	C - 918	14.872	<u>1,374,696</u>	<u>1,374,696</u>
Total Low Rent Housing Programs			2,735,062	4,887,755
Housing Assistance Payment Programs				
Housing Choice Voucher Program	C - 2027	14.871	<u>4,828,727</u>	<u>4,373,659</u>
Total Housing Assistance Program Payments			4,828,727	4,373,659
Total U S Department of Housing and Urban Development (Major Programs)			7,563,789	9,261,414
Non-Major Programs - U S Department of Housing and Urban Development				
Disaster Housing Assistance	C - 2027	97.109	19,871	19,871
Housing Counselor	C - 918	14.149	<u>24,404</u>	<u>24,404</u>
Total U S Department of Housing and Urban Development (Non-Major Programs)			44,275	44,275
Total			<u>\$ 7,608,064</u>	<u>\$ 9,305,689</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 FINANCIAL DATA SCHEDULES - COMBINED BALANCE SHEET - AUDITED REAC SUBMITTAL
 FOR THE YEAR ENDED DECEMBER 31, 2007

EXHIBIT E

Line Item	Account Number	Account Description	Low Income Housing	Capital Fund	Housing Choice Vouchers	Housing Counseling Assistance	Disaster Housing Assistance	Total Authority
			14,850	14,872	14,871	14,169	97,109	
ASSETS								
Current Assets:								
Cash:								
111	111100	General Fund - Cash	\$ 15,791	\$	\$ 665,201	\$ 2,637	\$ 851	\$ 684,479
111	111200	Payroll Account	40,339					40,339
111	111700	Petty Cash	150					150
100		Total Cash	56,280	0	665,201	2,637	851	724,969
Accounts Receivable:								
121	112000	Accounts Receivable PHA						0
122	112500	Accounts Receivable - HUD		136,159				136,159
125	112900	Accounts Receivable - Miscellaneous	29,436		9,872			39,308
126	112200	Accounts Receivable - Tenants	13,074					13,074
126.1	112298	Allowance for Doubtful Account	(93)					(93)
120		Total Accounts Receivable	42,417	136,159	9,872	0	0	188,448
131	116200	Investments - General and Security Deposits	1,530,515		155,471			1,685,986
135	116600	Family Self Sufficiency Escrow Vouchers - Restricted			28,073			28,073
		Total Investments	1,530,515	0	183,544	0	0	1,714,059
142	121100	Prepaid Insurance	144,470		8,460			152,930
143	126000	Inventories - Materials	94,212					94,212
		Total Prepays	238,682	0	8,460	0	0	247,143
144	11200	Interprogram Due From	135,191					135,191
150		Total Current Assets	2,003,085	136,159	867,077	2,637	851	3,009,809
Non Current Assets:								
161	1400.2	Land	318,245		8,000			326,245
162	1400.2	Building	2,672,868		62,286			2,735,154
163	140040	Furniture, Equipment and Machinery - Dwelling	207,708		148,564			356,271
164	147500	Furniture, Equipment and Machinery - Administration	788,410					788,410
165	140800	Leasehold Improvements	21,497,559					21,497,559
166	1400.05	Accumulated Depreciation	(14,004,483)		(158,687)			(14,163,171)
167		Construction in Progress		2,189,735				2,189,735
180		Total Non Current Assets	11,480,306	2,189,735	60,162	0	0	13,730,202
190		Total Assets	\$ 13,483,391	\$ 2,325,894	\$ 927,239	\$ 2,637	\$ 851	\$ 16,740,011
LIABILITIES AND NET ASSETS								
Liabilities:								
Current Liabilities:								
312	211100	Accounts Payable - Vendors and Contractors	\$ 15,098	\$	\$ 17,290	\$	\$	\$ 32,388
321	211700	Accounts Payable - Payroll Deductions	2,475					2,475
333	213700	Accounts Payable - Other Governments - Pilot	19,597					19,597
341	211400	Accounts Payable - Tenant Security Deposits	134,860					134,860
345	218200	Family Self Sufficiency Escrow - Current Portion			5,331			5,331
347	212000	Accounts Payable - Interfund		132,703	2,487			135,191
		Total Current Liabilities	172,030	132,703	25,108	0	0	329,841
Accrued Liabilities:								
321	213500	Accrued Wages	49,116	3,456	12,925	840		66,337
		Total Accrued Liabilities	49,116	3,456	12,925	840	0	66,337
Trust Deposits and Liabilities:								
353	218200	Family Self Sufficiency Escrow - Long-Term			22,727			22,727
		Total Trust Deposits	0	0	22,727	0	0	22,727
342		Deferred Revenues				1,798	851	2,649
350		Total Non Current Liabilities	49,116	3,456	35,652	2,637	851	91,712
300		Total Liabilities	221,146	136,159	60,760	2,637	851	421,553
Net Assets:								
508		Invested in Capital Assets, Net of Related Debt	11,480,306	2,189,735	60,162			13,730,202
512		Unrestricted Net Assets	1,781,939		806,317			2,588,256
508		Total Net Assets	13,262,245	2,189,735	866,479	0	0	16,318,458
600		Total Liabilities and Net Assets	\$ 13,483,391	\$ 2,325,894	\$ 927,239	\$ 2,637	\$ 851	\$ 16,740,011

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 FINANCIAL DATA SCHEDULES - COMBINED INCOME STATEMENT AUDITED REAC SUBMITTAL
 FOR THE YEAR ENDED DECEMBER 31, 2007

EXHIBIT E

Line Item	Account Number	Account Description	Low Income Housing 14,850	Capital Fund 14,872	Housing Choice Vouchers 14,871	Housing Counseling Assistance 14,169	Disaster Housing Assistance 97,109	Total Authority
Operating Revenues								
703	3110	Dwelling Rentals	\$ 929,369	\$	\$	\$	\$	\$ 929,369
704	3120	Excess Utilities	21,198					21,198
705.0		Total Tenant Revenue	950,568	0	0	0	0	950,568
711	3610	Interest on Investments	82,832		16,272			99,104
706	8020	Operating Subsidy	1,360,366	460,651	4,828,727	24,404	19,871	6,694,019
706	8029	Capital Grants		914,045				914,045
714	3300	HUD-Recovery Funds			18,151			18,151
715	3690	Other Income	126,460		60,813			187,272
700		Total Operating Revenues	\$ 2,520,225	\$ 1,374,696	\$ 4,923,963	\$ 24,404	\$ 19,871	\$ 8,863,159
Operating Expenses								
911	4110	Administrative Salaries	542,434		187,812			730,246
912	4171	Auditing Fees	24,422		6,863			31,285
915	4182	Employee Benefit Contribution	327,443		107,619			435,062
916	4190	Other Operating - Admin.	137,002	339,904	29,843	230	16,648	523,627
		Total Administrative Expenses	\$ 1,031,302	\$ 339,904	\$ 332,137	\$ 230	\$ 16,648	\$ 1,720,220
921	4210	Tenant Services - Salaries	36,535		75,783	22,516		134,833
924	4220	Resident Activity Funds	2,106		25,419	1,658		29,183
923	4222	Employee Benefit Contribution	21,678					21,678
		Total Tenant Services	60,319	0	101,202	24,174	0	185,695
931	4310	Water	45,907					45,907
932	4320	Electricity	184,816					184,816
933	4330	Gas	66,608					66,608
		Total Utilities	297,331	0	0	0	0	297,331
941	4410	Ordinary Maintenance and Operations - Labor	333,831					333,831
945		Employee Benefit Contribution	176,427					176,427
942	4420	Ordinary Maintenance and Operations - Materials	12,494		354			12,848
943	4430	Ordinary Maintenance and Operations - Contract Costs	189,571					189,571
		Total Ordinary Maint. & Materials	712,322	0	354	0	0	712,676
951	4480	Protective Services - Other	67,106					67,106
961	4510	Insurance	169,136		17,925			187,062
963	4520	Payment in Lieu of Taxes	19,648					19,648
964	4570	Bad Debts - Collection Losses	28,047					28,047
962	4590	Other General Expenses	24,050		9,425			33,475
		Total General Expenses	240,881	0	27,351	0	0	268,232
971	4610	Extraordinary Maintenance - Contract Costs	27,108					27,108
973	4715	House Assistance Payments			3,905,415		3,223	3,908,638
974	4800	Depreciation Expense	1,045,387		7,201			1,052,588
		Unrealized Loss on Investment	31,303					31,303
		Total Other	1,103,798	0	3,912,616	0	3,223	5,019,637
969.0		Total Operating Expenses	3,513,059	339,904	4,373,659	24,404	19,871	8,270,898
1000		Operating Transfers	120,747	(120,747)				0
		Change in Net Assets	\$ (872,087)	\$ 914,045	\$ 550,303	\$ 0	\$ 0	\$ 592,260

See accompanying notes to the financial statements

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATEMENT OF ACTIVITIES
ALL SPECIAL REVENUE FUNDS - HOUSING COUNSELING GRANTS
FOR THE YEAR ENDED DECEMBER 31, 2007, (WITH COMPARATIVE TOTALS FOR EXHIBIT I)

	2007	2006
REVENUES		
HUD Program Grants	\$ 24,404	\$ 28,004
TOTAL REVENUES	24,404	28,004
EXPENSES		
Administrative		9,273
Tenant Services	22,516	15,363
General Expense	1,889	3,368
TOTAL EXPENSES	24,404	28,004
CHANGE IN NET ASSETS	0	(0)
NET ASSETS AT DECEMBER 31, 2006	0	0
NET ASSETS AT DECEMBER 31, 2007	\$ 0	\$ (0)

See accompanying notes to the financial statements.

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

	BUDGET	ACTUAL	BUDGET
REVENUES			
HUD Program Grants	\$ 24,404	\$ 24,404	\$ 0
TOTAL REVENUES	24,404	24,404	0
EXPENSES			
General Expense	1,889	1,889	0
Administrative			
Tenant Services	22,516	22,516	0
TOTAL EXPENSES	24,404	24,404	0
CHANGE IN NET ASSETS	0	0	0
NET ASSETS AT DECEMBER 31, 2006	0	0	0
NET ASSETS AT DECEMBER 31, 2007	\$ 0	\$ 0	\$ 0

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATEMENT OF ACTIVITIES
HOUSING COUNSELOR PROGRAM - SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007, (WITH COMPARATIVE TOTALS FOR EXHIBIT H

	2007	2006
REVENUES		
HUD Program Grants	\$ 24,404	\$ 15,417
Other Income		
TOTAL REVENUES	24,404	15,417
EXPENSES		
General Expenses	1,888	54
Tenant Services	22,516	15,363
TOTAL EXPENSES	24,404	15,417
CHANGE IN NET ASSETS	0	0
NET ASSETS AT DECEMBER 31, 2006	0	0
NET ASSETS AT DECEMBER 31, 2007	\$ 0	\$ 0

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 STATEMENT OF CAPITAL FUND COSTS - COMPLETED
 FOR THE YEAR ENDED DECEMBER 31, 2007**

EXHIBIT I

ANNUAL CONTRIBUTION CONTRACT C - 918 PHASES IN36PO1O - 204
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	204
Funds Approved	\$ 1,363,153
Funds Expended	<u>1,363,153</u>
Excess\ (Deficit) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 1,363,153
Funds Expended	<u>1,363,153</u>
Excess\ (Deficit) of Funds Advanced	<u>\$ 0</u>

1. Capital Fund Program costs for Phases IN 36 - 204, are shown above.
2. Costs additions during the audit period totaled \$5,636 and accordingly were audited by Velma Butler & Company, Ltd.
3. The distribution of costs on the Actual Comprehensive Cost Certificate were in agreement with the Authority's records.
4. All Capital Fund Program costs have been paid and the related liabilities have been discharged through payment.
5. There were no budget overruns.

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 STATEMENT OF CAPITAL FUND COSTS - UNCOMPLETED
 FOR THE YEAR ENDED DECEMBER 31, 2007

EXHIBIT J

ANNUAL CONTRIBUTION CONTRACT C - 918 PHASES IN36PO1O - 205, 206 AND 207
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	205	206	207	Total
Funds Approved	\$ 1,306,255	\$ 1,242,721	\$ 1,207,475	\$ 3,756,451
Funds Expended	<u>1,304,839</u>	<u>787,102</u>	<u>135,414</u>	<u>2,227,354</u>
Excess\ (Deficit) of Funds Approved	<u>\$ 1,416</u>	<u>\$ 455,619</u>	<u>\$ 1,072,061</u>	<u>\$ 1,529,097</u>
Funds Advanced	\$ 1,300,841	\$ 663,888	\$ 126,466	\$ 2,091,195
Funds Expended	<u>1,304,839</u>	<u>787,102</u>	<u>135,414</u>	<u>2,227,354</u>
Excess\ (Deficit) of Funds Advanced	<u>\$ (3,998)</u>	<u>\$ (123,213)</u>	<u>\$ (8,948)</u>	<u>\$ (136,159)</u>

1. Capital Fund Program costs for Phases IN 36 - 204, IN 36 - 205, IN - 223 and IN 36 - 206, are shown above.
2. Cost additions during the audit period were as follows; IN 36 - 205, \$686,263, IN 36 - 206, \$547,383, and IN 36 - 207, \$135,414 and, accordingly, were audited by Velma Butler & Company, Ltd.

See accompanying notes for the financial statements.

SINGLE AUDIT REPORTS



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

Board of Commissioners
Housing Authority of the City of 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 governmental and business-type activities, of the Housing Authority of the City of Hammond, Indiana (the Authority) as of and for the year ended December 31, 2007, and have issued our report thereon dated Open. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

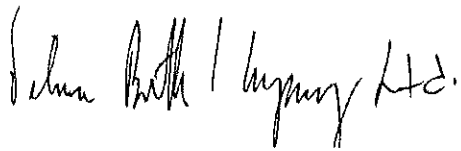
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

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

Compliance and Other Matters

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

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

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

Velma Butler & Company, Ltd.
Chicago, Illinois

May 3, 2008



**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, 2007. 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, 2007.

However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2007 - 1.

Internal Control Over Compliance

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

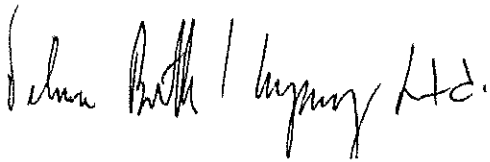
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that

noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

May 3, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Section II – Financial Statement Findings

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

Section III – Federal Award Findings and Questioned Costs

Finding 2007-1 Deficiencies in Tenant File Documentation

During our audit of tenant files, we noted that the Housing Authority for Low Rent did not always maintain records to adequately document its compliance with the tenant waiting list process. Out of 25 tenant files tested, we noted that 4 tenant files did not contain a waiting list letter indicating that the tenant had made it to the top of the waiting list.

HUD requires the Authority to maintain complete and accurate tenant files; which consist of annual re-certification applications, third party verification of reported annual income, signed residential lease agreements, support for tenant rent calculations, move-in forms, residents' birth certificates, registration for housing, documentation that the tenant was on a waiting list, social security cards and state identification forms among other things.

Recommendation

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

Authority Response

The missing waiting list letters were misplaced by the staff when the files were purged. Going forward, the Authority will be more vigilant when handling the tenant files to ensure this does not occur again.

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Section IV – Summary of Prior Year Audit Findings

Finding 2006-1 Deficiencies in Tenant File Documentation

During our audit of tenant files, we noted that the Housing Authority for Low Rent did not always maintain records to adequately document its compliance with the annual re-certification process. Out of 25 tenant files tested, we noted that:

- Five files did not contain the updated calculations for the tenant rent and utility payments,
- Three files did not contain the annual inspection for the units, and
- Three files did not contain tenant initials noting receipt of the lead based paint notice.

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

Recommendation

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

Authority Response

In the fall of 2006, an internal audit of tenant files for both public housing and HVC programs was performed. It was discovered the public housing files were not being maintained with adequate documentation. Immediate action was taken. The director and manager were asked to resign and the Admissions department went through a restructuring. The inadequacies of the files were not due to the lack of procedures, but rather upper management and staff not performing their duties.

Current Status

Open – See finding 2007-1.

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATEMENT OF COMPLIANCE WITH
SECTION 8 MANAGEMENT ASSESSMENT PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2007**

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 SYSTEM PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2007**

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.

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
SCHEDULE OF ADJUSTED ENTRIES – HOUSING CHOICE VOUCHER
FOR THE YEAR ENDED DECEMBER 31, 2007**

AJE#	POSTING#	DESCRIPTION	DEBIT	CREDIT
1	1113 2810	Cashier Over & Under Bad Debts- Collection Losses To reverse collection losses for tenants accounts receivable.	\$ 21,274	\$ 21,274
2	2810 1162	Unrealized Loss on Investment Investments – General & Security Deposit To record cumulative unrealized loss.	\$ 31,303	\$ 31,303
3	1400-01 2810	Contra Capital 2001 to 2007 Unreserved Surplus To write-off contra accounts balance for closed projects.	\$ 885,747	\$ 885,747
4	1400-05 14800 1400-20	Accumulated Depreciation Leasehold Improvements Development Cost To write-off demolished units.	\$ 2,082,479.10	\$ 1,891,133.95 \$ 191,345.15