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July 25, 2014

Board of Directors
Housing Authority of the City of Fort Wayne
P.O. Box 13489
Fort Wayne, IN 46869-3489

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period July 1, 2007 to June 30, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Housing Authority of the City of Fort Wayne, as of June 30, 2008 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

HOUSING AUTHORITY OF THE CITY OF FT. WAYNE FT. WAYNE, INDIANA

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

TWELVE MONTHS ENDED JUNE 30, 2008

HOUSING AUTHORITY OF THE CITY OF FT. WAYNE
FT. WAYNE, INDIANA

TABLE OF CONTENTS

PAMELA J. SIMPSON, C.P.A.

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Independent Auditor's Report

Board of Directors
Housing Authority of the City of Ft. Wayne
Ft. Wayne, Indiana

I have audited the accompanying financial statements of Housing Authority of the City of Ft. Wayne and the aggregate discretely presented component unit, as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

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

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Housing Authority of the City of Ft. Wayne and the aggregate discretely presented component unit, as of June 30, 2008 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated April 24, 2009, on my consideration of the Housing Authority of the City of Ft. Wayne's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 11, are not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

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

Decatur, Illinois
April 24, 2009

Certified Public Accountant

HOUSING AUTHORITY OF THE CITY OF FORT WAYNE

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The Housing Authority of the City of Fort Wayne's ("the Authority") management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position, and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- Revenues decreased by $2.8 million (or 14%) during 2008, and were $20.1 million and $17.3 million for 2007 and 2008 respectively.

- The total expenses of all Authority programs increased by $2.2 million (or 14%). Total expenses were $16.5 million and $ 18.7 million for 2007 and 2008 respectively.

HOUSING AUTHORITY OF THE CITY OF FORT WAYNE

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

USING THIS ANNUAL REPORT

The Report includes three major sections, the "Management's Discussion and Analysis (MD&A)", "Basic Financial Statements", and "Other Required Supplementary Information":

MD&A

Management's Discussion
And Analysis

Basic Financial Statements

Authority-wide Financial Statements
Notes to Financial Statements

Other Required Supplementary Information

Required Supplementary Information
(Other than the MD&A)

The primary focus of the Authority's financial statements is on both the Authority as a whole (Authority-wide) and the major individual funds. Both perspectives (authority-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority's accountability.

HOUSING AUTHORITY OF THE CITY OF FORT WAYNE

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Authority-Wide Financial Statements

The Authority-wide financial statements are designed to be corporate-like in that all business type activities are consolidated into columns, which add to a total for the entire Authority.

These Statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets (formerly equity) are reported in three broad categories:

Net Assets, Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets: This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets".

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Assets (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as capital grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

HOUSING AUTHORITY OF THE CITY OF FORT WAYNE

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Fund Financial Statements

The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Many of the funds maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

The Authority's Funds

Business Type Funds

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under and Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

Other Non-major Funds – In addition to the major funds above, the Authority also maintains the following non-major funds. Non-major funds are defined as funds that have assets, liabilities, revenues, or expenses of less than 5% of the Authority's total assets, liabilities, revenues or expenses:

> Housing Counseling Assistance Program – a grant program funded by the Department of Housing and Urban Development to provide housing counseling services to the local population.

HOUSING AUTHORITY OF THE CITY OF FORT WAYNE

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

AUTHORITY-WIDE STATEMENTS

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority is engaged only in Business-Type Activities.

TABLE 1

STATEMENT OF NET ASSETS

	2008 (In millions Of dollars)	2007 (In millions Of dollars)
Current and Other Assets	$ 12.3	$ 15.1
Capital Assets	15.1	15.0
Total Assets	27.4	30.1
Current Liabilities	0.8	1.6
Long-Term Liabilities	3.7	3.9
Total Liabilities	4.5	5.5
Net Assets:		
Invested in Capital Assets, Net of Related Debt	11.5	11.4
Restricted	5.2	6.9
Unrestricted	6.2	6.3
Total Net Assets	$22.9	$24.6

For more detailed information see for the Statement of Net Assets.

Major Factors Affecting the Statement of Net Assets

During 2008, current and other assets and liabilities remain stable.

Capital assets changed insignificantly, increasing from $15.0 million to $15.1 million. The $.1 million increase may be attributed primarily to a combination of net acquisitions, less current year depreciation and amortization. For more detail see "Capital Assets and Debt Administration" below.

HOUSING AUTHORITY OF THE CITY OF FORT WAYNE

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Table 2 presents details on the change in Unrestricted Net Assets

TABLE 2

CHANGE OF UNRESTRICTED NET ASSETS

	Millions of Dollars
Unrestricted Net Assets 06/30/07	$ 6.3
Results of Operations	(1.4)
Adjustments:	
Depreciation (1)	1.0
Adjusted Results from Operations	(0.4)
Capital Expenditures (2)	0.5
Prior Year Adjustments	(0.2)
Unrestricted Net Assets 06/30/08	$ 6.2

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

(2) Capital expenditures represent an outflow of unrestricted net assets, but are not treated as an expense against Results of Operations, and therefore must be added.

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

HOUSING AUTHORITY OF THE CITY OF FORT WAYNE

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

TABLE 3

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

	2008 (Million of dollars)	2007 (Million of dollars)
Revenues		
Tenant Revenue – Rents and Other	$ 1.2	$ 1.2
Operating Subsidies and Grants	14.6	17.4
Capital Grants	0.4	1.0
Investment Income	0.2	0.2
Other Revenues	0.3	0.3
Total Revenue	16.7	20.1
Expenses		
Administrative	2.1	1.8
Tenant Services	0.0	0.0
Utilities	0.5	0.5
Maintenance	1.4	1.4
Protective Services	0.0	0.0
General	0.3	0.5
Housing Assistance Payments	12.9	11.3
Depreciation	1.0	1.0
Total Expenses	18.2	16.5
Net Increase(Decrease)	$ (1.5)	$ 3.6

MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

Tenant revenue was stable during 2007 in comparison to 2008. Operating Subsidies, Grants and Capital Grants decreased. The decrease was due to two major factors: (1) the Authority has been engaging in a low level of Capital Improvement activity, which has resulted in decreased Grant Revenues, and (2) the Authority has not been aggressively pursuing additional Operating Subsidies.

HOUSING AUTHORITY OF THE CITY OF FORT WAYNE

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Most expenses increased moderately due to inflation, except for Maintenance, and Housing Assistance Payments. Housing Assistance Payments increased due to a higher level of leasing activities within the Authority's Housing Choice Voucher Program. The Authority rented units to more low-income households, which increased Housing Assistance Payments as well as the associated HUD revenue. Maintenance expenses increased in excess of inflation due to a higher level of maintenance activity during the fiscal year 2008.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the Authority had $15.1 million invested in a variety of capital assets as reflected in the following schedule.

TABLE 4

CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)

	Business-type Activities	
	2008 (Millions of dollars)	2007 (Millions of dollars)
Land and land rights	$ 1.7	$ 1.2
Buildings	24.6	32.4
Equipment – Administrative	2.4	3.1
Equipment – Dwelling	1.3	.8
Accumulated Depreciation	(29.6)	(28.7)
Leasehold Improvements	14.5	.0
Construction In Progress	0.2	6.2
Total	$15.1	$15.0

HOUSING AUTHORITY OF THE CITY OF FORT WAYNE

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in the notes.

TABLE 5
CHANGE IN CAPITAL ASSETS
(IN MILLIONS)

	Business Type Activities
Beginning Balance	$15.0
Additions, Net of Retirements	1.1
Depreciation and Amortization	(1.0)
Ending Balance	$15.1

This year's major additions primarily capital expenditures related to modernizing the Authority's housing developments. There was also an amount of equipment purchases.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding provide by Congress to the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs

FINANCIAL CONTACT

The individual to be contacted regarding this report is Carolyn M. Nichter, Fiscal Services Director of the Housing Authority of the City of Fort Wayne, at (260) 449-7816. Specific requests may be submitted to the Housing Authority of the City of Fort Wayne at 2025 South Anthony Blvd., PO Box 13489, Fort Wayne, Indiana, 46868-3489.

HOUSING AUTHORITY OF THE CITY OF FT. WAYNE
FT. WAYNE, INDIANA

STATEMENT OF NET ASSETS
TWELVE MONTHS ENDED JUNE 30, 2008

	Proprietary Funds	(6) Component Unit
ASSETS		
CURRENT ASSETS		
Cash	$ 6,079,450	$ 75,692
Accounts receivable (interfund eliminated)	220,076	153,245
Accrued interest receivable	16,697	0
Inventory	52,949	0
Deferred charges	300,590	220
Total Current Assets	$ 6,669,762	$ 229,157
RESTRICTED ASSETS		
Cash	$ 5,392,081	$ 0
Total Restricted Assets	$ 5,392,081	$ 0
CAPITAL ASSETS		
Land, buildings and equipment	$ 44,616,669	$ 74,239
Less: Accumulated depreciation	-29,562,046	-17,539
Net Capital Assets	$ 15,054,623	$ 56,700
Total Assets	$ 27,116,466	$ 285,857
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable (interfund eliminated)	$ 418,967	$ 79,243
Bonds payable	135,000	0
Accrued liabilities	184,587	0
Deferred revenue	4,094	7
Total Current Liabilities	$ 742,648	$ 79,250
NONCURRENT LIABILITIES		
Bonds payable	$ 3,430,000	$ 0
FSS escrow	227,397	0
Total Noncurrent Liabilities	$ 3,657,397	$ 0
NET ASSETS		
Invested in capital assets	$ 11,489,623	$ 56,700
Restricted	5,164,684	0
Unrestricted	6,062,114	149,907
Total Net Assets	$ 22,716,421	$ 206,607

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

HOUSING AUTHORITY OF THE CITY OF FT. WAYNE
FT. WAYNE, INDIANA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
TWELVE MONTHS ENDED JUNE 30, 2008

	Proprietary Funds	(6) Component Unit
Operating Income		
Tenant rental revenue	$ 1,080,035	$ 6,600
Tenant revenue - other	159,301	14
Total Tenant Revenue	$ 1,239,336	$ 6,614
HUD grants - operating	14,580,800	0
Other government grants	19,000	0
Other revenue	357,755	0
Total Operating Income	$ 16,196,891	$ 6,614
Operating Expenses		
Administration	$ 2,139,966	$ 214
Tenant services	3,464	0
Utilities	519,119	0
Ordinary maintenance and operation	1,345,311	0
Protective services	14,271	0
General expense	329,653	2,291
Extraordinary maintenance	93,934	0
Housing assistance payments	12,862,540	0
Depreciation	922,106	1,670
Total Operating Expenses	$ 18,230,364	$ 4,175
Net Operating Income (Loss)	$ -2,033,473	$ 2,439
Nonoperating Income (Expense)		
Interest income	219,575	0
Capital Contributions		
Capital fund grants	357,665	0
Changes in net assets	$ -1,456,233	$ 2,439
Net assets, beginning of year	24,386,268	204,168
Prior period adjustments/transfers	-213,614	0
Net assets, end of year	$ 22,716,421	$ 206,607

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

HOUSING AUTHORITY OF THE CITY OF FT. WAYNE
FT. WAYNE, INDIANA

STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED JUNE 30, 2008

	Proprietary Funds	(6) Component Unit
Operating Activities		
Operating grants	$ 14,788,299	$ 0
Tenant revenue	1,254,398	6,612
Other revenue	844,746	0
Housing assistance payments	-12,862,540	0
Payments to employees	-1,553,954	0
Payments to suppliers and contractors	-3,532,777	-2,570
Net Cash Provided (Used) by Operating Activities	$ -1,061,828	$ 4,042
Investing Activities		
Interest income	$ 202,878	$ 0
Net Cash Provided (Used) by Investing Activities	$ 202,878	$ 0
Capital and Related Financing Activities		
Capital fund grants	$ 357,665	$ 0
(Additions) deletions to fixed assets	-1,033,747	0
Net Cash Provided (Used) by Capital and Related Financing Activities	$ -676,082	$ 0
Net Change in Cash	$ -1,535,032	$ 4,042
Cash Balance at June 30, 2007	13,006,563	71,650
Cash Balance at June 30, 2008	$ 11,471,531	$ 75,692

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

HOUSING AUTHORITY OF THE CITY OF FT. WAYNE
FT. WAYNE, INDIANA

STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED JUNE 30, 2008

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	Proprietary Funds	(6) Component Unit
Net operating income (loss)	$ -2,033,473	$ 2,439
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:		
Depreciation	922,106	1,670
Adjustments to net assets	-213,614	0
(Increase) decrease in accounts receivable	556,767	0
(Increase) decrease in deferred charges	-67,759	-10
(Increase) decrease in inventory	28,532	0
Increase (decrease) in accounts payable	-39,947	-55
Increase (decrease) in accrued liabilities	23,366	0
Increase (decrease) in deferred revenues	-4,811	-2
Increase (decrease) in other liabilities	-232,995	0
Net Cash Provided (Used) by Operating Activities	$ -1,061,828	$ 4,042

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

HOUSING AUTHORITY OF THE CITY OF FT. WAYNE
FT. WAYNE, INDIANA

NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2008

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Housing Authority of the City of Ft. Wayne was established by the City of Ft. Wayne pursuant to the laws of the State of Indiana, to transact business and to have powers as defined therein. The Housing Authority was established to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other applicable Federal Agencies.

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

In evaluating the Authority as a reporting entity, management has addressed its relationship with the City of Ft. Wayne and concluded that the City does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the City, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the City does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority. Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Housing Authority of the City of Ft. Wayne is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements.

Also included in these financial statements is a non-profit component unit that operates two programs promoting home ownership among participants - the Home Ownership Program and the Housing Opportunities Program.

(b) Method of Accounting -

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

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

HOUSING AUTHORITY OF THE CITY OF FT. WAYNE
FT. WAYNE, INDIANA

NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2008
(CONTINUED)

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

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

(d) Funds -

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

* Low Rent Public Housing
* Section 8 Choice Vouchers
* Housing Counseling Assistance program (a federal grant program funded by the City of Ft. Wayne and HUD)
* State and local grant programs
* Housing Opportunities Program (program that promotes home ownership among the participants included in the component unit)
* Central Office Cost Center

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

(e) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Housing Authority considers all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with maturity of one month or less when purchased to be cash equivalents. A formal policy had not been adopted, but this is the practice followed.

Note 1 - Summary of Significant Accounting Policies

(f) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at June 30, 2008, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(g) Inventories and Materials -

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

(h) Investments -

Investments are stated at cost which approximates market.

(i) Fixed Assets -

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

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

Land, buildings and equipment contains the following:

1) The total development construction costs incurred for each project at the end of the initial operating period,

2) nonexpendable equipment, and

3) property betterments and additions

4) land acquisitions.

HOUSING AUTHORITY OF THE CITY OF FT. WAYNE
FT. WAYNE, INDIANA

NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2008
(CONTINUED)

Note 1 - Summary of Significant Accounting Policies

(i) Fixed Assets - (Continued)

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

Buildings	15-40	years
Equipment	5-7	years
Leasehold improvements	15	years

(j) Income Tax -

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

(k) Annual Contributions/Subsidies and Other Grants

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

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

(l) The Housing Authority adopts a budget annually. The budget is submitted to the Board of Commissioners for approval. Subsequent budget revisions may also be required to be submitted to the Board for approval.

(m) The preparation of financial statements in conformity with generally accepted accounting principles require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

HOUSING AUTHORITY OF THE CITY OF FT. WAYNE
FT. WAYNE, INDIANA

NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2008
(CONTINUED)

Note 2 - Cash and Investments

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

All cash and investments are insured up to $100,000 by the Federal Deposit Insurance Corporation (FDIC) or other equivalent insurance company of the depository financial institutions. The deposits exceeding the insured or registered limits are public funds covered by the State of Indiana Public Deposit Fund.

Custodial Credit Risk

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

b. Investments - Custodial credit risk is the risk that in the event of the failure of the depository, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party.

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

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

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

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

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

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

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

Category 3 - Deposits which are not collateralized or insured.

HOUSING AUTHORITY OF THE CITY OF FT. WAYNE
FT. WAYNE, INDIANA

NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2008
(CONTINUED)

Note 2 - Cash and Investments (Continued)

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

Program	Book Balance	Bank Balance
Low Rent	$ 2,401,666	$ 2,429,095
Voucher	6,761,907	6,788,508
Housing Counseling	35,631	35,631
State and Local	2,272,327	2,272,327
Subtotal	$ 11,471,531	$ 11,525,561
Component Unit	75,692	75,692
Total	$ 11,547,223	$ 11,601,253

Note 3 - Compensated Absences

In general, vacations shall be taken during the calendar year in which they have been earned. Carry-over entitlements must be requested in writing to the department supervisor and approved by the Executive Director by December 31 of each year. In no event will vacation be carried beyond the calendar year following the year in which it was earned. Sick leave is accrued at the rate of one-half day for each full month of continuous employment and may be accrued to no more than 1,000 hours. In the event a full-time employee is terminated at a time that he/she has accumulated sick leave, he/she shall receive one dollar per hour, up to a maximum of $1,000 for every hour of accumulated sick leave, provided the employee was not terminated for disciplinary reasons.

The estimated portion of the liability for vested sick leave benefits attributable to the Housing Authority is recorded as an expenditure and liability in each of the respective programs.

Note 4 - Defined Contribution Plan

The Housing Authority provides benefits for all of its full-time employees through the Public Employee's Retirement Fund (PERF) of Indiana. PERF is the state-administered pension system for the majority of governmental employees in the State of Indiana. PERF is classified as an agent multiple-employer public employee retirement system under the guidelines of GASB Statement No. 5, "Disclosure of pension Information by Public Employee Retirement Systems and State and Local Governmental Employers". PERF act as an agent for all participating governmental units. The benefits payment obligation is transferred in total from the Housing Authority to PERF at the time an employee retires.

The employer portion (2.5% for July 1, 2007 to December 31, 2007 and 3.5% for January 1, 2008 and after) of each employee's eligible compensation is paid into a defined benefit plan, while the employee portion (3% of eligible compensation) goes into a defined contribution plan. The Ft. Wayne Housing Authority also pays the employee portion.

Employees become vested in PERF after ten years of membership acquired through service in a governmental unit in Indiana. Vested employees are eligible to retire with 44% of full benefits at age 50 with 15 years of service, and with full benefits at age 65.

HOUSING AUTHORITY OF THE CITY OF FT. WAYNE
FT. WAYNE, INDIANA

NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2008
(CONTINUED)

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:	Proprietary Funds	Component Unit
Tenants accounts receivable	$ 12,960	$ 0
HUD - accounts receivable	13	0
Other	128,410	153,245
Interprogram	78,693	0
Subtotal	$ 220,076	$ 153,245
Interfund	1,621,295	0
Total	$ 1,841,371	$ 153,245

Note 6 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	$ 153,771	$ 220
Insurance deposits	78,337	0
Other deferred charges	68,482	0
Total	$ 300,590	$ 220

Note 7 - Capital Assets

Balance as of June 30, 2008	$ 15,054,623	$ 56,700
Balance as of June 30, 2007	14,942,982	58,370
Net Increase (Decrease)	$ 111,641	$ -1,670

Reconciliation

Additions/transfers	$ 738,790	$ 0
Adjustments to assets basis	294,957	0
Current year depreciation expense	-922,106 *	-1,670 *
Total	$ 111,641	$ -1,670

HOUSING AUTHORITY OF THE CITY OF FT. WAYNE
FT. WAYNE, INDIANA

NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2008
(CONTINUED)

Note 7 - Capital Assets (Continued)

Analysis	Proprietary Funds			
	07/01/2007 Balance	Additions/ Transfers	Deletions/ Transfers	06/30/2008 Balance
Land	$ 1,225,088	$ 440,758	$ 0	$ 1,665,846
Buildings	32,360,482	0	7,745,258	24,615,224
Equipment and furniture	3,854,622	0	195,404	3,659,218
Leasehold improvements	0	14,537,615	0	14,537,615
Construction in progress	6,142,729	0	6,003,963	138,766
Total	$ 43,582,921	$ 14,978,373	$ 13,944,625	$ 44,616,669
Accumulated depreciation	-28,639,939	0	922,107	* -29,562,046
Net Capital Assets	$ 14,942,982	$ 14,978,373	$ 14,866,732	$ 15,054,623

Analysis	Component Unit			
	07/01/2007 Balance	Additions/ Transfers	Deletions/ Transfers	06/30/2008 Balance
Land	$ 7,424	$ 0	$ 0	$ 7,424
Buildings	66,815	0	0	66,815
Total	$ 74,239	$ 0	$ 0	$ 74,239
Accumulated depreciation	-15,869	0	-1,670	* -17,539
Net Capital Assets	$ 58,370	$ 0	$ -1,670	$ 56,700

*Current year depreciation expense recognized.

Note 8 - Accounts Payable

This classification includes the following accounts:	Proprietary Funds	Component Unit
Vendors and contractors	$ 346,699	$ 0
Tenants security deposits	67,504	550
Accounts payable - other	4,764	78,693
Subtotal	$ 418,967	$ 79,243
Interfund	1,621,295	0
Total	$ 2,040,262	$ 79,243

HOUSING AUTHORITY OF THE CITY OF FT. WAYNE
FT. WAYNE, INDIANA

NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2008
(CONTINUED)

Note 9 - Notes Payable

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

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

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

Note 10 - Other Long Term Debt - Capital Fund Bonds

Original issue $3,810,000, dated June 1, 2007, provides for principal and interest to be paid from a portion of the annual public housing Capital Fund allocation payments granted to the Authority each fiscal year by HUD. The bonds shall bear interest and be paid semi-annually.

	Balance 07/01/07	Proceeds 2007-08	Decrease 2007-08	Balance 06/30/08
Revenue Bonds	$ 3,565,000	$ 0	$ 0	$ 3,565,000

Debt service requirements for the long term debt for the next five years are as follows:

Due Fiscal Year Ending	Principal
2009	$ 135,000
2010	145,000
2011	150,000
2012	155,000
2013	165,000
Thereafter	2,815,000

Note 11 - Accrued Liabilities

Accrued liabilities consists of the following:

	Proprietary Funds	Component Unit
Current Portion:		
Accrued compensated absences	$ 92,715	$ 0
Accrued payroll and taxes	91,867	0
Payment in lieu of taxes	5	0
Total	$ 184,587	$ 0

HOUSING AUTHORITY OF THE CITY OF FT. WAYNE
FT. WAYNE, INDIANA

NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2008
(CONTINUED)

Note 12 - Deferred Revenue

This classification consists of the following accounts:

Prepaid rent	$ 4,094	$ 7

Note 13 - Administrative Fee

The PHA receives an "Administrative Fee" as part of the annual contribution from HUD to cover the costs (including overhead) of administering the HAP Program. The fee is determined by HUD on a calendar year basis.

Note 14 - Allocation of Costs

The PHA allocated 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.

Note 15 - Contingencies

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

Note 16 - Adjustments Posted To Net Assets

The following adjustments were posted directly to equity accounts:

	Proprietary Funds	Component Unit
Variances in balances at conversion to asset management	$ -526,524	$ 0
Adjustment to fixed asset basis	294,957	0
Adjustment to PERF liability	15,827	0
Adjustment to insurance deposits	2,157	0
Adjustment to investments	-31	0
Total	$ -213,614	$ 0

HOUSING AUTHORITY OF THE CITY OF FT. WAYNE
FT. WAYNE, INDIANA

NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2008
(CONTINUED)

Note 17 - Risk Management

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

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

Note 18 - Economic Dependency

The Housing Authority received most of its revenue (87%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

SUPPLEMENTAL DATA

HOUSING AUTHORITY OF THE CITY OF FT. WAYNE
FT. WAYNE, INDIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2008

Federal Grantor/Program	Federal CFDA Number	Contract Number	Grant Period	Program Amount	Receipts or Revenue Recognized	Disbursements/ Expenditures
U.S. Department of HUD						
Direct Programs:						
Public and Indian Housing*	14.850a	C-981	FYE 06/30/08	$ 1,717,359	$ 1,717,359	$ 1,717,359
Housing Choice Voucher Program*	14.871	C-2010V	FYE 06/30/08	$ 12,504,785	$ 12,504,785	$ 12,504,785
Public Housing - Capital Funds*	14.872	C-981	FYE 06/30/08	$ 5,697,162	$ 692,716	$ 692,716
Housing Counseling - HUD	14.169	C-981	FYE 06/30/08	$ 23,605	$ 23,605	$ 23,605
Total HUD Assistance				$ 19,942,911	$ 14,938,465	$ 14,938,465
Other Pass-Through Grants City of Fort Wayne						
Housing Counseling Grant	14.169	C-981	FYE 06/30/08	$ 20,000	$ 19,000	$ 19,000
Total Federal Assistance				$ 19,962,911	$ 14,957,465	$ 14,957,465

*Denotes major program.

NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED JUNE 30, 2008

Note 1: Expenditures to the Housing Choice Voucher Program are reported as equal to revenues recognized. This method of expenditure recognition does not reconcile to the Housing Authority's financial statements, but is required by HUD.

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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 Ft. Wayne
Ft. Wayne, Indiana

I have audited the financial statements of the governmental activities and the aggregate discretely presented component unit of Housing Authority of the City of Ft. Wayne as of and for the year ended June 30, 3008, which collectively comprise the Housing Authority of the City of Ft. Wayne's basic financial statements and have issued my report thereon dated April 24, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employee, 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 Housing Authority of the City of Ft. Wayne'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 Housing Authority of the City of Ft. Wayne's financial statements that is more than inconsequential will not be prevented or detected by the Housing Authority of the City of Ft. Wayne'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 Housing Authority of the City of Ft. Wayne's internal control.

My 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. This report is intended solely for the information of management, the Board of Commissioners and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Authority of the City of Ft. Wayne's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express an opinion. The results of my tests disclosed certain instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as Finding 2008-01.

I noted certain matters that we reported to management of Housing Authority of the City of Ft. Wayne, in a separate letter dated April 24, 2009.

This reported in intended solely for the information of management, the Board of Commissioners, 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.

Decatur, Illinois
April 24, 2009

Certified Public Accountant

PAMELA J. SIMPSON, C.P.A.

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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 Ft. Wayne
Ft. Wayne, Indiana

Compliance

I have audited the compliance of Housing Authority of the City of Ft. Wayne 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 June 30, 2008. Housing Authority of the City of Ft. Wayne's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Housing Authority of the City of Ft. Wayne's management. My responsibility is to express an opinion on Housing Authority of the City of Ft. Wayne's compliance based on my audit.

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

In my opinion, Housing Authority of the City of Ft. Wayne 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 June 30, 2008. However, the results of my 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 2008-1

Internal Control Over Compliance

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

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be significant deficiencies.

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. I consider the deficiencies in the internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-1 to be a significant deficiency.

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. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, I consider items 2008-1 to be a material weakness.

Ft. Wayne Housing Authority's response to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit Ft. Wayne Housing Authority's response and, accordingly, I express no opinion on it.

In addition, I noticed other matters involving the internal control and its operation that I have reported to management of Housing Authority of the City of Ft. Wayne in a separate letter dated April 24, 2009.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, 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.

Decatur, Illinois Certified Public Accountant
April 24, 2009

HOUSING AUTHORITY OF THE CITY OF FT. WAYNE
FT. WAYNE, INDIANA

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for June 30, 2007 contained one finding.

Finding 2007-1: Incomplete Section 8 Participant Files

Condition and Criteria: During the test of participant eligibility (22 files examined) incomplete documentation and incorrect calculations of HAP was noted in six (6) of those files. Additionally it was noted that four (4) files examined did not contain properly completed Section 214 declarations for all household members. This finding continues. See finding 2008-1.

HOUSING AUTHORITY OF THE CITY OF FT. WAYNE
FT. WAYNE, INDIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED JUNE 30, 2008

Section I - Summary of Auditor's Results

Low Risk Auditee	______	yes	X_____	no

Financial Statements

Type of auditor's report: Unqualified

* Material weakness(es) identified?	X_____	yes	______	no
* Significant deficiency (ies) identified that are not considered to be material weaknesses?	______	yes	X_____	none reported
Noncompliance material to financial statements noted	X_____	yes	______	no

Federal Awards

Internal control over major programs:

* Material weakness(es) identified?	X_____	yes	______	no
* Significant deficiency (ies) identified that are not considered to be material weaknesses?	______	yes	X_____	none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	X_____	yes	______	no

Major Programs: (Threshold $300,000)	CFDA Number(s)
Public and Indian Housing	14.850a
Housing Choice Voucher Program	14.871
Capital Fund Program	14.872

HOUSING AUTHORITY OF THE CITY OF FT. WAYNE
FT. WAYNE, INDIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
CURRENT FINDINGS AND RECOMMENDATIONS

Section II - Financial Statement Findings

The following financial statement audit findings were discussed with Maynard Scales, Executive Director and Carolyn Nichter, Director of Finance, during the course of the audit and at an exit conference held April 24, 2009.

Finding 2008-2: Incomplete Asset Management Conversion

Condition and Criteria: Asset based management (mandated by HUD 24CFR990) requires a separate financial statement for each Asset Management Project Grouping (AMP) designation. Additionally, Capital Fund Program(CFP) projects are to be allocated to the related AMP. The separate Central Office Cost Center (COCC)is also required to maintain a separate set of financial statements. While auditing the current financial statements it is noted that the asset management conversion was not started until after the end of the fiscal year, but prior to the final closing of the year end statements. The conversion to asset management procedures completed by the Housing Authority did not include the reconciliation of the depreciation schedules (which includes the related assets cost, accumulated depreciation or depreciation expense) to each of the AMPS or the COCC. The allocation of uncompleted CFP projects was also not completed in the general ledgers. The Housing Authority used a spread sheet to support the unaudited reporting by AMP, however, the spread sheet did not accurately reflect the books of record. (general ledgers and subsidiary ledgers).

Effect: The general ledgers maintained by the Housing Authority do not reflect a complete conversion to asset management as required by HUD.

Cause: The asset management conversion was not completed timely and there was a lack of internal controls implemented to assure that the conversion was properly supported and documented.

Auditor's Recommendation: The Housing Authority must review all documents used in the conversion process to be assured that they are accurate. Depreciation schedules need to be developed to accurately and properly reflect the assets and related depreciation in each of the groupings as well as the COCC. Capital fund projects in process should be properly allocated to each of the related AMPS. The general ledger needs to be updated to accurately report under the Asset Management reporting requirements. Management should thoroughly review and implement the new Operating Fund Rule 24CFR990.

Grantee Response: The agency had hired an outside consultant to assist with the process of Asset Management conversion, however, we did not implement adequate internal controls over the process. As a result, the general ledger did not reflect the workpapers prepared in the conversion process. The Director of Finance will thoroughly review this data and make corrections in the general ledger as required.

HOUSING AUTHORITY OF THE CITY OF FT. WAYNE
FT. WAYNE, INDIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
CURRENT FINDINGS AND RECOMMENDATIONS

Section III - Federal Award Findings

The following federal award audit findings were discussed with Maynard Scales, Executive Director and Carolyn Nichter, Director of Finance, during the course of the audit and at an exit conference held April, 24, 2009.

Finding 2008-1: Incomplete Section 8 Participant Files

Condition and Criteria: HUD regulations require that all participant files contain adequate documentation to support a participant's eligibility and the accurate calculation of Housing Assistance Payments (HAP). During my current year test of participant eligibility (24 files examined) I noted incomplete documentation and incorrect calculations of HAP in eight (8) of those files. Additionally it was noted that two (2) files examined did not contain properly completed Section 214 declarations or copies of birth certificates for all household members

Effect: It cannot be determined if the Section 8 participants were eligible and their HAP assistance was calculated in accordance with HUD regulations.

Cause: Adequate quality control procedures had not been implemented to assure that only eligible participants were provided Housing Assistance. The procedures in place did not provide adequate assurance that correct data was collected and used in accurate assistance payment calculations for each eligible participant

Auditor's Recommendation: I recommend that quality control procedures be reviewed and revised to ensure that all required documentation is maintained in each file to support eligibility. Procedures should be developed to ensure that all intake staff are familiar with the policies established in the Housing Authority's Section 8 Admin Plan and that they are trained in the proper procedures for applying those policies and HUD regulations.

Grantee Response: The Section 8 Department has undergone many staffing changes during the past several months. It had previously been determined that the current staff would receive more training in applying all policies contained in our Section 8 Admin plan and HUD regulations. The training was conducted mid way through the current fiscal year (November 26, 2007). Additional quality assurance reviews will be conducted by the Section Manager to determine that the policies are being adhered to in the future. Effective April 1, 2007, the required number of quality reviews of participant files increased from 7% to 10% in our effort to reduce errors and omissions.

HOUSING AUTHORITY OF THE CITY OF FT. WAYNE
FT. WAYNE, INDIANA

SCHEDULE OF ADJUSTING JOURNAL ENTRIES
FOR THE YEAR ENDED JUNE 30, 2008

Amp 1	Audit Account Number	Debit	Credit	Posting Account Number
(1)				
PERF expense	----	$ 16.75		2806
PERF accrual	2117.11	927.52		2117.11
PERF accrual	2117.11	1,003.50		2117.11
Surplus	2806		$ 1,947.77	2806
(Net adjustment needed per Housing Authority schedule for accrued PERF)				
(2)				
Depreciation expense	5800	$ 168,366.00		2806
Accumulated depreciation	1405		$ 168,366.00	1405
(To record depreciation expense from schedule provided by Housing Authority)				
Amp 2				
(1)				
PERF accrual	2117.11	$ 108.19		2117.11
PERF accrual	2117.11	886.84		2117.11
Surplus	2806		$ 995.03	2806
(Net adjustment needed per Housing Authority schedule for accrued PERF)				
(2)				
Depreciation expense	5800	$ 168,366.00		2806
Accumulated depreciation	1405		$ 168,366.00	1405
(To adjust to schedule at year end)				
Amp 3				
(1)				
Tenants accounts receivable	1122	$ 5,049.64		1122
Allowance for doubtful accounts	1122.01		$ 3,709.68	1122.11
Prepaid rents	2240		106.24	2240
Dwelling rental	3110		1,233.72	2806
(To adjust tenants accounts receivable and prepaid rents to actual per Aged Receivable report @ 06/30/08)				
(2)				
Investment JP Morgan	1162.01		$ 31.34	1162.01
Surplus	2806	$ 31.34		2806
(To adjusts accounts for scatter site program accounts)				

HOUSING AUTHORITY OF THE CITY OF FT. WAYNE
FT. WAYNE, INDIANA

SCHEDULE OF ADJUSTING JOURNAL ENTRIES
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)

Amp 3 (Continued)	Audit Account Number	Debit	Credit	Posting Account Number
(3)				
PERF accrual	2117.11	$ 1,144.13		2117.11
PERF accrual	2117.11	219.16		2117.11
PERF accrual	2117.11	741.12		2117.11
Surplus	2806		$ 2,104.41	2806
(Net adjustment needed per Housing Authority schedule for accrued PERF)				
(4)				
Depreciation expense	5800	$ 168,366.00		2806
Accumulated depreciation	1405		$ 168,366.00	1405
(To record depreciation expense from schedule provided by Housing Authority)				
Amp 4				
(1)				
PERF accrual	2117.11	$ 858.83		2117.11
PERF accrual	2117.11	928.07		2117.11
Surplus	2806		$ 1,786.90	2806
(Net adjustment needed per Housing Authority schedule for accrued PERF)				
(2)				
Depreciation expense	5800	$ 168,366.00		2806
Accumulated depreciation	1405		$ 168,366.00	1405
(To adjust to schedule at year end)				
Voucher				
(1)				
Surplus	2806	$ 135.18		2806
PERF accrual	2117.11		$ 135.18	2117.11
(Net adjustment needed per Housing Authority schedule for accrued PERF)				
(2)				
Interest - operating reserve	3300	$ 9,008.27		2806
Insurance expense	4510	726.69		2806
Retained earnings	2806		$ 9,734.96	2806
(To post prior year audit adjustments)				
(3)				
Vendor payable	2111	$ 16,705.00		2111
Prepaid insurance	1211		$ 16,705.00	1211
(To adjust for invoice paid in 07/08 for a policy that runs from 07/08 to 07/09)				

HOUSING AUTHORITY OF THE CITY OF FT. WAYNE
FT. WAYNE, INDIANA

SCHEDULE OF ADJUSTING JOURNAL ENTRIES
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)

Voucher (Continued)	Audit Account Number	Debit	Credit	Posting Account Number
(4)				
Admin fees	3301	$ 43,416.00	$ 13.00	2806
HUD PHA contributions	3401.03	1,732,865.01		2806
Office equipment	1400.10	1,064.00		1400.10
Accounts receivable - HUD	1125	13.00	47,480.00	1125
Retained earnings	2806		1,729,862.00	2806
Other operating income	3690		3.00	2806
(To adjust accounts to actual)				
Housing Counseling				
(1)				
PERF accrual	2117.11	$ .01		2117.11
Surplus	2806		$ .01	2806
(Net adjustment needed per Housing Authority schedule for accrued PERF)				
State and Local				
(1)				
Interest income	3610		$ 16,696.68	2806
Accrued interest	1145	$ 16,696.68		1145
(To set up accrued interest for Chase CD)				
Cost Center				
(1)				
Insurance deposit	1212	$ 2,157.32		1212
Retained earnings	2806		$ 2,157.32	2806
(To adjust account to actual)				
(2)				
PERF accrual	2117.11	$ 1,654.77		2117.11
PERF accrual	2117.11	6,161.35		2117.11
PERF accrual	2117.11	1,312.53		2117.11
PERF expense	----		$ .02	2806
Surplus	2806		9,128.63	2806
(Net adjustment needed per Housing Authority schedule for accrued PERF)				

HOUSING AUTHORITY OF THE CITY OF FT. WAYNE
FT. WAYNE, INDIANA

SCHEDULE OF ADJUSTING JOURNAL ENTRIES
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)

Cost Center (Continued)	Audit Account Number	Debit	Credit	Posting Account Number
(3)				
Accounts payable - Low Rent	2145	$ 97,043.44		2145
Contract retention	2112	79,162.75		2112
Deferred revenues	2290	3,812.10		2290
Unreserved surplus	2806	6,299.83		2806
Net HUD contributions	2802	109,451.49		2802
Accumulated depreciation	1405	92,342.00		1405
Miscellaneous receivable	1122.03		$ 199,599.52	1122.03
Accounts receivable - HUD	1125		188,512.09	1125
(To reverse prior audit adjusting journal entries)				
(4)				
Depreciation expense	5800	$ 157,968.96		2806
Accumulated depreciation	1405		$ 157,968.96	1405
(To adjust to schedule at year end)				

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Board of Commissioners
Housing Authority of the city of Ft. Wayne
Ft. Wayne, Indiana

In planning and performing my audit of the financial statements of Housing Authority of the city of Ft. Wayne as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authorities internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the city of Ft. Wayne's internal control. Accordingly, I do not express an opinion on the effectiveness of Housing Authority of the city of Ft. Wayne's internal control.

The administration of the Housing Authority is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use of disposition and that transactions are executed in accordance with authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. However, my study and evaluation disclosed certain conditions in the following areas of which you should be aware in order to improve operating efficiencies and strengthen internal controls:

1. It was noted that the Housing Authority does not have a current formal policy for the review and write off of old outstanding checks. The Authority should adopt a policy that should indicate procedure for review, approval and frequency of that review and subsequent write off. At June 30, 2008, the Housing Choice Voucher bank reconciliation contained more than $16,000 of old outstanding checks.

2. Adequate internal control policies require two separate sets of procedures for (1) a normal month end close of the general ledger (financial reporting) and (2) the year end closing. At the end of the current fiscal year, the same procedures were used and as a result many accounts were found not to reconcile to the subsidiary ledgers or other supporting documentation. Many of these accounts are only adjusted annually, therefore are not address in monthly procedures. All written procedures should be complete for the entire fiscal process.

3. During the 2008 fiscal year, the formally adopted capitalization policy was not followed. The policy states that only items with a cost greater than $500 will be capitalized, however, during 2007-08 many new appliances with a cost of less that $500 a piece were added to the depreciation schedule. The Housing Authority should review its current \policy for any needed revisions or correct the depreciation schedule.

4. Several trial balances provided for audit, were not in balance. Discussion with financial personnel indicate that there is periodically a software problem by which not all transactions are properly updated. Adequate internal controls over financial statement reporting (including the software used in the process) should be implemented in order to correct this problem and to avoid out of balance financial statements.

5. During a review of fourteen public housing tenant file, I noted that there was not a consistent method of anticipating tenant income for the calculation of tenant rent utilized in each file. Several different methods were used depending on the date of the certification/re-certification and the housing personnel completing the certification. I also noted that the EIV reports were not used consistently. Adequate internal controls would define the acceptable methods to be used to calculate anticipated income so that every tenant's file is comparable.

This communication is intended solely for the information and used of management, the Board of Commissioners, and others within the housing authority, and is not intended to be and should not be used by anyone other than these specified parties. Please feel free to contact me if you have any questions.

Decatur, Illinois
April 24, 2009

Certified Public Accountant