



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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May 29, 2014

Board of Directors
Peru Housing Authority
701 E. Main Street
Peru, IN 45970

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, 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 Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Peru Housing Authority, 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 Accountant's report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS AND
SUPPLEMENTAL DATA**

TWELVE MONTHS ENDED DECEMBER 31, 2007

**PERU HOUSING AUTHORITY
PERU, INDIANA**

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PAMELA J. SIMPSON, C.P.A.

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Independent Auditor's Report

Board of Directors
Peru Housing Authority
Peru, Indiana

I have audited the accompanying financial statements of Peru Housing Authority, as of and for the year ended December 31, 2007, 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 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 Peru Housing Authority, as of December 31, 2007 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 July 24, 2008, on my consideration of the Authority's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulation, contracts and grants. The purpose of that report is to describe the scope of my testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 12, 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 performed for the purpose of forming an opinion on the financial statements of the Peru Housing Authority, 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 basic financial statements of the Authority. 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 Peru Housing Authority. 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 basic financial statements taken as a whole.

Decatur, Illinois
July 24, 2008

Pamela J. Simpson
Certified Public Accountant

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AS OF DECEMBER 31, 2007**

ASSETS

CURRENT ASSETS

Cash	\$ 535,746
Accounts receivable (interfund eliminated)	26,490
Accrued interest receivable	2,012
Inventory	4,721
Deferred charges	<u>7,889</u>

Total Current Assets \$ 576,858

CAPITAL ASSETS

Land, buildings and equipment	\$ 4,995,161
Less: accumulated depreciation	<u>-2,127,595</u>

Net Capital Assets \$ 2,867,566

OTHER ASSETS

Restricted cash	<u>\$ 148,564</u>
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Total Assets \$ 3,592,988

LIABILITIES

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	\$ 34,585
Accrued liabilities	<u>20,923</u>

Total Current Liabilities \$ 55,508

NONCURRENT LIABILITIES

FSS escrow	<u>\$ 41,529</u>
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Total Noncurrent Liabilities \$ 41,529

NET ASSETS

Invested in capital assets	\$ 2,867,566
Restricted	107,035
Unrestricted	<u>521,350</u>

Total Net Assets \$ 3,495,951

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2007**

Operating Income

Tenant rental revenue	\$ 253,484
Tenant revenue - other	<u>5,208</u>
Total Rental Income	\$ 258,692
HUD grants - operating	1,036,873
Fraud recovery	18,318
Other revenue	9,566
Gain/loss on sale of fixed assets	<u>-619</u>
Total Operating Income	\$ <u>1,322,830</u>

Operating Expenses

Administration	\$ 286,940
Tenant services	4,140
Utilities	44,267
Ordinary maintenance and operation	101,114
General expense	55,363
Extraordinary maintenance	5,140
Housing assistance payments	742,109
Depreciation	<u>140,898</u>
Total Operating Expenses	\$ <u>1,379,971</u>
Net Operating Income (Loss)	\$ <u>-57,141</u>

Nonoperating Income (Expense)

HUD grants - capital	\$ 172,018
Interest income	<u>23,962</u>
Total Nonoperating Income (Expense)	\$ <u>195,980</u>
Changes in net assets	\$ 138,839
Net assets, beginning of year	3,343,258
Prior period adjustments	<u>13,854</u>
Net assets, end of year	\$ <u>3,495,951</u>

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

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2007**

Operating Activities

Operating grants	\$ 1,045,742
Tenant revenue	257,828
Other revenue	27,265
Housing assistance payments	-742,109
Payments to employees	-220,260
Payments to suppliers and contractors	<u>-267,891</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 100,575</u>

Investing Activities

Interest income	<u>\$ 23,962</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 23,962</u>

Capital and Related Financing Activities

HUD grants - capital	\$ 172,018
Additions (deletions) to fixed assets	<u>-173,795</u>
Net Cash Provided (Used) by Financing Activities	<u>\$ -1,777</u>

Net Change in Cash	\$ 122,760
Cash Balance at December 31, 2006	<u>561,550</u>
Cash Balance at December 31, 2007	<u><u>\$ 684,310</u></u>

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2007**

Reconciliation of Operating Income (Loss) to Net Cash
Provided (Used) by Operating Activities

Net operating income (loss)	\$ -57,141
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	140,898
Adjustments to net assets	13,854
(Increase) decrease in accounts receivable	15,745
(Increase) decrease in deferred charges	-3,266
(Increase) decrease in other assets	-4,820
Increase (decrease) in account payable	-21,441
Increase (decrease) in accrued liabilities	2,796
Increase (decrease) in other liabilities	<u>13,950</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 100,575</u>

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Peru Housing Authority was established by the City of Peru 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 Peru 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 Peru Housing Authority is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements. The Housing Authority has no component units.

(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.

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) 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
- * Capital Fund Program

These programs are all accounted for within the *Proprietary* (enterprise) fund as described below:

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.

(d) 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 a maturity of one (1) month or less when purchased to be cash equivalents.

(e) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at December 31, 2007, 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.

(f) Inventories and Materials -

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

(g) Investments -

Investments are stated at cost which approximates market.

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(h) 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 public 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.

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	40	years
Equipment	5-10	years
Transportation equipment	5	years
Leasehold improvements	15	years

(i) Income Tax -

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

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(j) 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.

(k) The Housing Authority adopts a budget annually. The budget may be required to be submitted to the Department of Housing and Urban Development for approval. Subsequent budget revisions may also be required to be submitted to HUD for approval.

(l) 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.

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.

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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 losses 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'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.

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

<u>Book Balance</u>	<u>Program</u>	
	<u>Bank Balance</u>	
Low Rent	\$ 445,820	\$ 452,745
Voucher	<u>238,490</u>	<u>241,206</u>
Total	<u>\$ 684,310</u>	<u>\$ 693,951</u>

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 3 - Compensated Leaves

Vacation Leave

All vacation is awarded as of January 1 of each year for employees with at least six months of service. Those with less than six months will be awarded one-half of the vacation of a one-year employee. All vacation time shall be used as of December 31 of each year and shall not be allowed to accumulate.

Sick Leave

Sick leave shall be awarded at the rate of six days per year on January 1 of each year. Sick leave is accumulative without limit, however, upon separation sick leave shall be forfeited.

No liability for accrued compensated absences has been recorded based on these policies.

Note 4 - Defined Contribution Plan

All employees who are at least 21 years of age and have worked in at least one year of the immediately preceding five years and earns at least \$313 in the year will be provided a Simplified Employee Pension - Individual Retirement Account (SEP). The PHA shall provide a contribution equal to 10% of the gross annual wages of the employee. For the fiscal year ended December 31, 2007, actual contributions by the Housing Authority and plan participants were \$20,663.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable	\$ 2,075
Accounts receivable - HUD	11,230
Fraud recovery	14,106
Allowance for doubtful accounts	<u>-921</u>
Subtotal	\$ 26,490
Interfund	<u>64,656</u>
Total	<u>\$ 91,146</u>

Note 6 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	\$ 2,765
Prepaid service agreement	<u>5,124</u>
Total	<u>\$ 7,889</u>

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 7 - Fixed Assets

Balance as of December 31, 2007	\$ 2,867,566
Balance as of December 31, 2006	<u>2,834,669</u>
Net Increase (Decrease)	<u>\$ 32,897</u>

Reconciliation

Additions	\$ 174,414
Disposed	-619
Current year depreciation expense	<u>-140,898</u>
Net Increase (Decrease)	<u>\$ 32,897</u>

Analysis

	<u>01/01/2007 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>12/31/2007 Balance</u>
Land	\$ 609,137	\$ 0	\$ 0	\$ 609,137
Buildings	3,670,750	92,140	0	3,762,890
Equipment and furniture	324,543	27,801	1,863	350,481
Leasehold improvements	93,901	0	92,140	1,761
Construction in progress	<u>124,280</u>	<u>146,612</u>	<u>0</u>	<u>270,892</u>
Total	\$ 4,822,611	\$ 266,553	\$ 94,003	\$ 4,995,161
Accumulated depreciation	<u>-1,987,942</u>	<u>1,245</u>	<u>140,898</u>	<u>-2,127,595</u>
Total	<u>\$ 2,834,669</u>	<u>\$ 267,798</u>	<u>\$ 234,901</u>	<u>\$ 2,867,566</u>

Note 8 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 5,662
Tenants security deposits	<u>28,923</u>
Subtotal	\$ 34,585
Interfund	<u>64,656</u>
Total	<u>\$ 99,241</u>

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(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 - Accrued Liabilities

Accrued liabilities consists of the following:

Payment in lieu of taxes	\$ <u>20,923</u>
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Note 11 - Trust and Deposit Liabilities

This classification consists of the following accounts:

FSS escrow accounts	\$ <u>41,529</u>
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Note 12 - 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 13 - 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.

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 14 - 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 15 - Economic Dependency

The Housing Authority received most of its revenue (80%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

SUPPLEMENTAL DATA

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**SCHEDULE OF EXPENDABLE FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Public and Indian Housing	14.850a	C-2076	FYE 12/31/07	\$ <u>119,206</u>	\$ <u>119,206</u>	\$ <u>119,206</u>
Capital Funds Program	14.872	C-2076	FYE 12/31/07	\$ <u>543,789</u>	\$ <u>196,273</u>	\$ <u>196,273</u>
Housing Choice Voucher Program*	14.871	C-2076V	FYE 12/31/07	\$ <u>893,412</u>	\$ <u>893,412</u>	\$ <u>893,412</u>
Total Housing Assistance				\$ <u>1,556,407</u>	\$ <u>1,208,891</u>	\$ <u>1,208,891</u>

*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED DECEMBER 31, 2007**

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

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2007**

<u>ASSETS</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>	<u>Multifamily</u>
CURRENT ASSETS				
Cash	\$ 445,820	\$ 0	\$ 89,926	\$ 0
Accounts receivable	66,731	11,230	13,185	0
Accrued interest receivable	2,012	0	0	0
Inventory	3,691	0	1,030	0
Deferred charges	<u>5,351</u>	<u>0</u>	<u>2,538</u>	<u>0</u>
Total Current Assets	<u>\$ 523,605</u>	<u>\$ 11,230</u>	<u>\$ 106,679</u>	<u>\$ 0</u>
CAPITAL ASSETS				
Land, buildings and equipment	\$ 4,611,440	\$ 330,802	\$ 52,919	\$ 0
Less: Accumulated depreciation	<u>-2,094,138</u>	<u>-6,442</u>	<u>-27,015</u>	<u>0</u>
Net Capital Assets	<u>\$ 2,517,302</u>	<u>\$ 324,360</u>	<u>\$ 25,904</u>	<u>\$ 0</u>
OTHER ASSETS				
Restricted cash	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 148,564</u>	<u>\$ 0</u>
Total Assets	<u>\$ 3,040,907</u>	<u>\$ 335,590</u>	<u>\$ 281,147</u>	<u>\$ 0</u>
<u>LIABILITIES</u>				
CURRENT LIABILITIES				
Accounts payable	\$ 34,498	\$ 11,230	\$ 53,513	\$ 0
Accrued liabilities	<u>20,923</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Current Liabilities	<u>\$ 55,421</u>	<u>\$ 11,230</u>	<u>\$ 53,513</u>	<u>\$ 0</u>
NONCURRENT LIABILITIES				
FSS escrow	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 41,529</u>	<u>\$ 0</u>
Total Noncurrent Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 41,529</u>	<u>\$ 0</u>
<u>NET ASSETS</u>				
Invested in capital assets	\$ 2,517,302	\$ 324,360	\$ 25,904	\$ 0
Restricted	0	0	107,035	0
Unrestricted	<u>468,184</u>	<u>0</u>	<u>53,166</u>	<u>0</u>
Total Net Assets	<u>\$ 2,985,486</u>	<u>\$ 324,360</u>	<u>\$ 186,105</u>	<u>\$ 0</u>

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**STATEMENT OF REVENUE AND EXPENDITURES
TWELVE MONTHS ENDED DECEMBER 31, 2007**

<u>Operating Income</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>	<u>Multifamily</u>
Tenant rental revenue	\$ 253,484	\$ 0	\$ 0	\$ 0
Tenant revenue - other	<u>5,208</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Rental Income	\$ 258,692	\$ 0	\$ 0	\$ 0
HUD grants - operating	119,206	24,255	893,412	0
Fraud recovery	0	0	18,318	0
Other revenue	4,131	0	5,435	0
Gain/loss on sale of fixed assets	<u>0</u>	<u>0</u>	<u>-619</u>	<u>0</u>
Total Operating Income	<u>\$ 382,029</u>	<u>\$ 24,255</u>	<u>\$ 916,546</u>	<u>\$ 0</u>
<u>Operating Expenses</u>				
Administration	\$ 124,562	\$ 23,755	\$ 138,623	\$ 0
Tenant Services	4,140	0	0	0
Utilities	44,267	0	0	0
Ordinary maintenance and operation	95,679	0	5,435	0
General expense	50,552	0	4,811	0
Extraordinary maintenance	5,140	0	0	0
Housing Assistance Payments	0	0	742,109	0
Depreciation	<u>131,263</u>	<u>4,592</u>	<u>5,043</u>	<u>0</u>
Total Operating Expenses	<u>\$ 455,603</u>	<u>\$ 28,347</u>	<u>\$ 896,021</u>	<u>\$ 0</u>
Net Operating Income (Loss)	<u>\$ -73,574</u>	<u>\$ -4,092</u>	<u>\$ 20,525</u>	<u>\$ 0</u>
<u>Nonoperating Income (Expense)</u>				
HUD grants - capital	\$ 0	\$ 172,018	\$ 0	\$ 0
Transfers	500	-500	0	0
Interest income	<u>14,862</u>	<u>0</u>	<u>9,100</u>	<u>0</u>
Total Nonoperating Income (Expense)	<u>\$ 15,362</u>	<u>\$ 171,518</u>	<u>\$ 9,100</u>	<u>\$ 0</u>
Change in Net Assets	<u>\$ -58,212</u>	<u>\$ 167,426</u>	<u>\$ 29,625</u>	<u>\$ 0</u>

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**STATEMENT OF CHANGES IN NET ASSETS
TWELVE MONTHS ENDED DECEMBER 31, 2007**

<u>Invested in Capital Assets</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>	<u>Multifamily</u>
Balance at December 31, 2006	\$ 2,647,679	\$ 156,934	\$ 30,056	\$ 0
Current year net income (loss)	<u>-130,377</u>	<u>167,426</u>	<u>-4,152</u>	<u>0</u>
Balance at December 31, 2007	<u>\$ 2,517,302</u>	<u>\$ 324,360</u>	<u>\$ 25,904</u>	<u>\$ 0</u>
 <u>Restricted</u>				
Balance at December 31, 2006	\$ 0	\$ 0	\$ 0	\$ 0
Transfer	0	0	68,777	0
Current year net income (loss)	<u>0</u>	<u>0</u>	<u>38,258</u>	<u>0</u>
Balance at December 31, 2007	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 107,035</u>	<u>\$ 0</u>
 <u>Unrestricted Net Assets</u>				
Balance at December 31, 2006	\$ 382,165	\$ 0	\$ 125,794	\$ 630
Transfer	0	0	-68,147	-630
Prior period adjustments	13,854	0	0	0
Current year net income (loss)	<u>72,165</u>	<u>0</u>	<u>-4,481</u>	<u>0</u>
Balance at December 31, 2007	<u>\$ 468,184</u>	<u>\$ 0</u>	<u>\$ 53,166</u>	<u>\$ 0</u>
Total Net Assets	<u>\$ 2,985,486</u>	<u>\$ 324,360</u>	<u>\$ 186,105</u>	<u>\$ 0</u>

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED DECEMBER 31, 2007**

<u>Operating Activities</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>	<u>Multifamily</u>
Operating grants	\$ 119,206	\$ 33,124	\$ 893,412	\$.
Tenant revenue	257,828	0	0	0
Other revenue	4,131	0	23,134	0
Housing assistance payments	0	0	-742,109	0
Payments to employees	-136,598	-4,000	-79,662	0
Payments to suppliers/contractors	<u>-156,111</u>	<u>-28,624</u>	<u>-83,156</u>	<u>0</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 88,456</u>	<u>\$ 500</u>	<u>\$ 11,619</u>	<u>\$ 0</u>
 <u>Investing Activities</u>				
Interest income	<u>\$ 14,862</u>	<u>\$ 0</u>	<u>\$ 9,100</u>	<u>\$ 0</u>
Net Cash Provided (Used) by Investing activities	<u>\$ 14,862</u>	<u>\$ 0</u>	<u>\$ 9,100</u>	<u>\$ 0</u>
 <u>Capital and Related Financing Activities</u>				
HUD grants - capital	\$ 0	\$ 172,018	\$ 0	\$ 0
Transfers	500	-500	0	0
Additions (deletions) to fixed assets	<u>-886</u>	<u>-172,018</u>	<u>-891</u>	<u>0</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -386</u>	<u>\$ -500</u>	<u>\$ -891</u>	<u>\$ 0</u>
Net Change in Cash	\$ 102,932	\$ 0	\$ 19,828	\$ 0
Cash Balance at December 31, 2006	<u>342,888</u>	<u>0</u>	<u>218,662</u>	<u>0</u>
Cash Balance at December 31, 2007	<u>\$ 445,820</u>	<u>\$ 0</u>	<u>\$ 238,490</u>	<u>\$ 0</u>

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED DECEMBER 31, 2007**

Reconciliation of Operating Income (Loss) to Net Cash

Provided (Used) by Operating Activities

	<u>Low Rent</u>	<u>Capital Funds</u>
Net operating income (loss)	\$ -73,574	\$ -4,092
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:		
Depreciation	131,263	4,592
Adjustments to net assets	13,854	0
 (Increase) decrease in accounts receivable	19,431	8,869
(Increase) decrease in deferred charges	-728	0
(Increase) decrease in other assets	-4,871	0
 Increase (decrease) in accounts payable	285	-8,869
Increase (decrease) in accrued liabilities	2,796	0
Increase (decrease) in other liabilities	<u>0</u>	<u>0</u>
 Net Cash provided (Used) by Operating Activities	<u>\$ 88,456</u>	<u>\$ 500</u>

	<u>Voucher</u>	<u>Multifamily</u>
Net operating income (loss)	\$ 20,525	\$ 0
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:		
Depreciation	5,043	0
Adjustments to net assets	630	-630
 (Increase) decrease in accounts receivable	-13,185	630
(Increase) decrease in deferred charges	-2,538	0
(Increase) decrease in other assets	51	0
 Increase (decrease) in accounts payable	-12,857	0
Increase (decrease) in accrued liabilities	0	0
Increase (decrease) in other liabilities	<u>13,950</u>	<u>0</u>
 Net Cash provided (Used) by Operating Activities	<u>\$ 11,619</u>	<u>\$ 0</u>

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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
Peru Housing Authority
Peru, Indiana

I have audited the financial statements of Peru Housing Authority as of and for the year ended December 31, 2007, which collectively comprise the Peru Housing Authority's basic financial statements and have issued my report thereon dated July 24, 2008. 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 Peru Housing Authority'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 Peru Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Peru Housing Authority'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 Peru Housing 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 Peru Housing Authority's financial statements that is more than inconsequential will not be prevented or detected by the Peru Housing 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 Peru Housing Authority'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 Peru Housing Authority'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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain matters that we reported to management of Peru Housing Authority, in a separate letter dated July 24, 2008.

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
July 24, 2008

Pamela J. Simpson
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
Peru Housing Authority
Peru, Indiana

Compliance

I have audited the compliance of Peru Housing 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. Peru Housing 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 Peru Housing Authority's management. My responsibility is to express an opinion on Peru Housing Authority'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 Peru Housing Authority'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 Peru Housing Authority's compliance with those requirements.

In my opinion, Peru Housing 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 my auditing procedures disclosed no instances of noncompliance with those requirements.

Internal Control Over Compliance

The management of Peru Housing Authority 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 Peru Housing Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in 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 Peru Housing Authority's internal control over compliance.

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.

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

In addition, I noticed other matters involving the internal control and its operation that I have reported to management of Peru Housing Authority in a separate letter dated July 24, 2008.

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
July 24, 2008

Pamela J. Simpson
Certified Public Accountant

**PERU HOUSING AUTHORITY
PERU, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended December 31, 2006 contained no findings.

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2007**

Section I - Summary of Auditor's Results

Low Risk Auditee X yes _____ no

Financial Statements

Type of auditor's report: Unqualified

* Material weakness(es) identified? _____ yes X no

* Significant deficiency (ies) identified that are not
considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted _____ yes X no

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? _____ yes X 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: Unqualified

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

Major Programs: (Threshold \$300,000) CFDA Number(s)

Housing Choice Voucher Program 14.871

**PERU HOUSING AUTHORITY
PERU, INDIANA**

CURRENT FINDINGS AND RECOMMENDATIONS

Section II - Financial Statements Findings

There were no audit findings discussed with Shirley Foreman, Executive Director, during the course of the audit or at an exit conference held July 9, 2008.

Section III - Federal Awards Findings

There were no audit findings discussed with Shirley Foreman, Executive Director, during the course of the audit or at an exit conference held July 9, 2008.

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
DECEMBER 31, 2007**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Sundry administrative - misc.	4190	\$ 25.00		2810.512
Cash	1111.04		\$ 25.00	1111.04
(To set up check #12489 on book for year, commissioner stipend, outstanding at year end)				
(2)				
Administrative salaries	4110	\$ 7,888.28		2810.512
Employee benefit contribution	4182		\$ 489.42	2810.512
Other insurance	4510		7,398.86	2810.512
(To correct posting of JV3370 allocation of insurance expense to Section 8. Insurance expense recorded in both programs instead of transferring expense)				

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Board of Commissioners
Peru Housing Authority
Peru, Indiana

In planning and performing my audit of the financial statements of Peru Housing Authority as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authority's 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 Peru Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of Peru Housing Authority'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. While reviewing the balances in the FSS escrow accounts and the related forfeited balances, it was determined that in some instances the forfeited balances were not adjusted off of the subsidiary and general ledgers at the time of the forfeiture. Monthly reviews of those balances should be made to determine that all transactions are recorded on a timely basis.
2. While reviewing the Housing Authority's system of internal controls and related written procedures, it came to my attention that not all internal control procedures in place have been included in the written policy/procedural manual.

In addition to the current policies/procedures, I suggest that the manual be expanded to include: (a) approval of journal entries (hard copies initialed or signed) (b) documentation of procedures for year end inventory counts and reconciliation (c) quality control checks of tenant and/or Section 8 participant files (d) issuance and completion of work orders and related recording in maintenance reports. The written policies should also cover the extent that outside consultants are used to provide internal controls.

A more detailed written manual will aid in the training of new staff, assure management of consistency in policy application by present staff as well as accurate financial reporting.

3. The Housing Authority policy calls for periodic write offs of stale dated checks. In my review of the year end bank reconciliations, it was noted that one outstanding check in Public Housing program was over one year old.
4. While reviewing subsequent events it was noted that one check dated 2007 cleared the bank in 2008, however, that check had never been recorded in the general ledger for 2007. Further review indicated that there were two additional 2007 checks that had not been properly recorded. Management should review their internal control procedures and the procedures followed by the outside fee accountant to determine that someone is checking that all transactions are recorded timely and properly. It was noted that the total amount expended on the three unrecorded checks was less than \$100.

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
July 24, 2008

Pamela J. Simpson
Certified Public Accountant