



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B43536

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

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

May 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, 2008 to December 31, 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 Peru Housing Authority, as of December 31, 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

**PERU HOUSING AUTHORITY
PERU, INDIANA**

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

TWELVE MONTHS ENDED DECEMBER 31, 2008

**PERU HOUSING AUTHORITY
PERU, INDIANA**

TABLE OF CONTENTS

Auditor's Report	1
Management's Discussion and Analysis	3
FINANCIAL STATEMENTS	
Statement of Net Assets as of December 31, 2008	7
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds Twelve Months Ended December 31, 2008	8
Statement of Cash Flows - Twelve Months Ended December 31, 2008	9
Notes to Financial Statements	10
SUPPLEMENTAL DATA	
Schedule of Federal Financial Assistance	21
PHA's Statement and Certification of Actual Modernization Cost - Phase IN36P091501-04	22
Phase IN36P091501-05	23
Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	24
Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	26
Status of Prior Audit Findings	28
Schedule of Findings and Questioned Costs - Summary	29
Current Findings, Recommendations and Replies	30
Schedule of Adjusting Journal Entries	31
Financial Data Schedule - REAC Electronic Submission	32

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

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, 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 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, 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 August 27, 2009, 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
August 27, 2009



Certified Public Accountant

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING DECEMBER 31, 2008

The management of the Housing Authority of the City of Peru (PHA) offers this narrative overview and analysis of its audited financial statements for fiscal year ended December 31, 2008. The goal is for the reader to better understand the Authority's financial activities and its overall financial position and to show whether current year revenues covered current year expenses and the extent to which the Authority has invested its capital assets. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begins on page 9.

FINANCIAL HIGHLIGHTS:

- The assets of the PHA exceed its liabilities as of December 31, 2008 by \$3,396,714 (Net Assets).
- The PHA's investment in Capital Assets, net of related debt as of December 31, 2008 was \$2,834,862.
- The PHA's total revenue for the fiscal year end December 31, 2008 was \$1,442,044.
- The PHA's total expenses for the fiscal year end December 31, 2008 were \$1,541,281 Therefore; the PHA's total combined expenses exceeded its total combined revenues by \$99,237.

OVERVIEW OF THE FINANCIAL STATEMENTS:

The following financial statements are included in this report:

- *Statement of Net Assets* - reports the Authority current financial resources: its cash and other current assets, its current and non-current liabilities and comparing those two elements, the resulting net assets of the PHA. A comparison between this year and the preceding year is also provided.
- *Statement of Revenue and Expenses* - reports the PHA's various revenue and expenses and provides a comparison between this year and the preceding year.

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING DECEMBER 31, 2008

ANALYSIS OF FINANCIAL STATEMENTS:

STATEMENT OF NET ASSETS

	INCREASE <u>2008</u>	<u>2007</u>	(DECREASE)
Cash and investments	\$ 631,790	\$ 684,310	(52,520)
Other current assets	26,278	41,112	(20,582)
Notes receivable	-	-	-
Capital assets	<u>2,834,862</u>	<u>2,867,566</u>	<u>(32,704)</u>
TOTAL ASSETS	<u>\$ 3,492,930</u>	<u>\$ 3,592,988</u>	<u>\$ (105,806)</u>
Current liabilities	\$ 58,803	\$ 55,508	\$ 8,708
Non-Current liabilities	<u>37,413</u>	<u>41,529</u>	<u>(4,116)</u>
TOTAL LIABILITIES	<u>96,216</u>	<u>97,037</u>	<u>(4,592)</u>
Invested in capital assets	2,834,862	2,867,566	\$ (32,704)
Restricted assets	0	107,035	(107,035)
Unrestricted assets	<u>561,852</u>	<u>521,350</u>	<u>29,341</u>
TOTAL NET ASSETS	<u>\$ 3,396,714</u>	<u>\$ 3,495,951</u>	<u>\$ (110,398)</u>

The decrease in cash and investments is due to the decrease in revenues and the increase in expenses.

The decrease in other current assets is due to the inter-fund being eliminated between programs and a lower receivable due from HUD.

The decrease in capital assets is due to the disposal of equipment.

The increase in current liabilities is due to the increase in accounts payable, PILOT and security deposits.

The decrease in non-current liabilities is due to less funds being put into the FSS escrow program.

The decrease in restricted assets is due to a zero HAP equity balance.

The decrease in unrestricted assets is due to expenses being greater than revenue at the end of the fiscal year.

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING DECEMBER 31, 2008

ANALYSIS OF STATEMENT OF REVENUE AND EXPENSES
PRIOR AND CURRENT FISCAL YEAR:

	YEAR ENDING JUNE 30,		(DECREASE)
	INCREASE <u>2008</u>	<u>2007</u>	
REVENUE			
Tenant revenue	\$ 267,618	\$ 258,692	\$ 12,291
HUD operating and capital grants	1,120,539	1,208,891	(88,352)
Other government grants	-	-	
Interest	14,705	23,962	(9,257)
Other revenue	31,470	8,947	19,319
Fraud recovery	7,712	18,318	(10,606)
TOTAL REVENUE	<u>\$ 1,442,044</u>	<u>\$ 1,518,810</u>	<u>\$ (76,605)</u>
EXPENSES			
Administrative expenses	\$ 268,024	\$ 286,940	\$ (8,220)
Tenant services	6,414	4,140	2,274
Utilities	51,096	44,267	6,829
Ordinary maintenance	137,383	101,116	36,732
Protective services	-	-	-
General expenses	61,089	55,363	5,887
Housing assistance payments	861,961	742,109	119,852
Extraordinary maintenance	6,469	5,140	1,349
Depreciation	148,845	140,898	7,947
TOTAL EXPENSES	<u>\$ 1,541,281</u>	<u>\$ 1,379,973</u>	<u>\$ 172,650</u>
EXCESS OF EXPENSES OVER REVENUE	<u>\$ (99,237)</u>	<u>\$ 138,837</u>	

The increase in HUD operating and capital grants is due to an increase in draw downs from Capital Funds Programs and an increase in operating subsidy.

The decrease in administrative expenses is due to a decrease in office and other administrative expenses.

The increase in ordinary maintenance is due to an increase in labor, materials and contract labor.

The increase in general expenses is due to a higher rate of insurance.

The increase in housing assistance payments is due to an increase in leasing for the year.

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana
 MANAGEMENT DISCUSSION AND ANALYSIS
 FISCAL YEAR ENDING DECEMBER 31, 2008

SIGNIFICANT TRANSACTIONS

BUDGETARY HIGHLIGHTS

Low-Rent Public Housing (Operations Only)

The Board-approved budget anticipated an operating income of \$43,030. Actual result of operation was an operating income before depreciation of \$53,987, a positive budget variance of approximately \$10,957.

The variance is due to an increase in Operating Subsidy and insurance proceeds.

CAPITAL ASSETS & LONG-TERM DEBT ACTIVITY DURING THE YEAR

During the year there was a carpet shampooer, floor machine, maintenance cart and heat pump units disposed of from the Low Rent Program.

There were several capital asset purchases made throughout the year. They are as follows:

- Low Rent Program
 - Building Improvements - \$250
 - Shampooer – \$2,511
 - Office Equipment – \$607
 -
- Capital Funds Program
 - Building Improvements - \$185,247
 - Pool Table - \$1,799
- Voucher
 - No change

FUTURE EVENTS (NEW BUSINESS)

None Anticipated

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the PHA's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Shirley Foreman, Executive Director, Housing Authority of the City of Peru, 701 East Main Street, Peru, IN 46970.

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AS OF DECEMBER 31, 2008**

ASSETS

CURRENT ASSETS

Cash	\$ 631,790
Accounts receivable (interfund eliminated)	15,492
Accrued interest receivable	330
Inventory	3,486
Deferred charges	<u>6,970</u>

Total Current Assets \$ 658,068

CAPITAL ASSETS

Land, buildings and equipment	\$ 5,088,532
Less: accumulated depreciation	<u>-2,253,670</u>

Net Capital Assets \$ 2,834,862

Total Assets \$ 3,492,930

LIABILITIES

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	\$ 37,120
Accrued liabilities	21,652
Deferred revenue	<u>31</u>

Total Current Liabilities \$ 58,803

NONCURRENT LIABILITIES

FSS escrow	<u>\$ 37,413</u>
------------	------------------

Total Noncurrent Liabilities \$ 37,413

NET ASSETS

Invested in capital assets	\$ 2,834,862
Unrestricted	<u>561,852</u>

Total Net Assets \$ 3,396,714

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2008**

Operating Income

Tenant rental revenue	\$ 267,515
Tenant revenue - other	<u>103</u>
 Total Rental Income	 \$ 267,618
 HUD grants - operating	 1,003,021
Fraud recovery	7,712
Other revenue	36,216
Gain/loss on sale of fixed assets	<u>-4,746</u>
 Total Operating Income	 <u>\$ 1,309,821</u>

Operating Expenses

Administration	\$ 268,024
Tenant services	6,414
Utilities	51,096
Ordinary maintenance and operation	137,383
General expense	61,089
Extraordinary maintenance	6,469
Housing assistance payments	861,961
Depreciation	<u>148,845</u>
 Total Operating Expenses	 <u>\$ 1,541,281</u>
 Net Operating Income (Loss)	 \$ -231,460

Nonoperating Income (Expense)

Interest income	14,705
-----------------	--------

Capital Contributions

Capital fund grants	<u>117,518</u>
 Changes in net assets	 \$ -99,237
Net assets, beginning of year	<u>3,495,951</u>
 Net assets, end of year	 <u>\$ 3,396,714</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, 2008**

Operating Activities

Operating grants	\$ 1,011,826
Tenant revenue	269,266
Other revenue	43,928
Housing assistance payments	-861,961
Payments to employees	-244,527
Payments to suppliers and contractors	<u>-288,826</u>

Net Cash Provided (Used) by Operating Activities \$ -70,294

Investing Activities

Interest income	<u>\$ 16,387</u>
-----------------	------------------

Net Cash Provided (Used) by Investing Activities \$ 16,387

Capital and Related Financing Activities

Capital fund grants	\$ 117,518
Additions (deletions) to fixed assets	<u>-116,131</u>

Net Cash Provided (Used) by Financing Activities \$ 1,387

Net Change in Cash \$ -52,520

Cash Balance at December 31, 2007 684,310

Cash Balance at December 31, 2008 \$ 631,790

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2008**

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

Net operating income (loss)	\$ -231,460
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	148,845
(Increase) decrease in accounts receivable	10,988
(Increase) decrease in deferred charges	919
(Increase) decrease in other assets	1,235
Increase (decrease) in account payable	2,535
Increase (decrease) in accrued liabilities	729
Increase (decrease) in other liabilities	<u>-4,085</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -70,294</u>

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008**

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, 2008
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

Through practice (no formal policy has been adopted) 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
- * 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.

(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 a maturity of one (1) month or less when purchased to be cash equivalents. A formal policy has not been adopted, but this is the practice followed.

(f) Accounts Receivable -

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

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(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 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

(j) 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, 2008
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(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 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.

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, 2008
(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>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent	\$ 566,393	\$ 567,143
Voucher	<u>65,397</u>	<u>65,519</u>
Total	<u>\$ 631,790</u>	<u>\$ 632,662</u>

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008
(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, 2008, actual contributions by the Housing Authority and plan participants were \$23,849.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable	\$ 427
Fraud recovery	15,104
Allowance for doubtful accounts	-2,846
Accounts receivable - HUD	2,425
Accounts receivable - miscellaneous	<u>382</u>
Subtotal	\$ 15,492
Interfund	<u>16,909</u>
Total	<u>\$ 32,401</u>

Note 6 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	\$ 2,517
Prepaid service agreement	<u>4,453</u>
Total	<u>\$ 6,970</u>

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008
(CONTINUED)**

Note 7 - Fixed Assets

Balance as of December 31, 2008	\$ 2,834,862
Balance as of December 31, 2007	<u>2,867,566</u>
Net Increase (Decrease)	<u>\$ -32,704</u>

Reconciliation

Additions	\$ 120,887
Disposed	-4,746
Current year depreciation expense	<u>-148,845</u> *
Net Increase (Decrease)	<u>\$ -32,704</u>

<u>Analysis</u>	<u>01/01/2008 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>12/31/2008 Balance</u>
Land	\$ 609,137	\$ 0	\$ 0	\$ 609,137
Buildings	3,762,890	308,976	0	4,071,866
Equipment and furniture	350,481	30,851	27,517	353,815
Leasehold improvements	1,761	0	0	1,761
Construction in progress	<u>270,892</u>	<u>117,518</u>	<u>336,457</u>	<u>51,953</u>
Total	\$ 4,995,161	\$ 457,345	\$ 363,974	\$ 5,088,532
Accumulated depreciation	<u>-2,127,595</u>	<u>-148,845</u> *	<u>-22,770</u>	<u>-2,253,670</u>
Total	<u>\$ 2,867,566</u>	<u>\$ 308,500</u>	<u>\$ 341,204</u>	<u>\$ 2,834,862</u>

*Current year depreciation expense recognized.

Note 8 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 5,722
Tenants security deposits	30,398
Payroll taxes payable	<u>1,000</u>
Subtotal	\$ 37,120
Interfund	<u>16,909</u>
Total	<u>\$ 54,029</u>

**PERU HOUSING AUTHORITY
PERU, INDIANA**

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

Accrued liabilities consists of the following:

Payment in lieu of taxes	<u>\$ 21,652</u>
--------------------------	------------------

Note 11 - Trust and Deposit Liabilities

This classification consists of the following accounts:

FSS escrow accounts	<u>\$ 37,413</u>
---------------------	------------------

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, 2008
(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 (78%) 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, 2008**

<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 12/31/08	\$ <u>146,288</u>	\$ <u>146,288</u>	\$ <u>146,288</u>
Capital Funds Program	14.872	C-2076	FYE 12/31/08	\$ <u>683,133</u>	\$ <u>119,510</u>	\$ <u>119,510</u>
Housing Choice Voucher Program*	14.871	C-2076V	FYE 12/31/08	\$ <u>854,741</u>	\$ <u>854,741</u>	\$ <u>854,741</u>
Total Housing Assistance				\$ <u>1,684,162</u>	\$ <u>1,120,539</u>	\$ <u>1,120,539</u>

*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED DECEMBER 31, 2008**

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**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P091501-04**

1. The Actual Modernization Costs of Phase IN36P091501-04 are as follows:

Funds approved	\$ 140,656
Funds expended	<u>140,656</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Project notes, non-HUD	\$ 140,656
Funds expended	<u>140,656</u>
Excess of Funds Advanced	<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated July 1, 2008, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P091501-05**

1. The Actual Modernization Costs of Phase IN36P091501-05 are as follows:

Funds approved	\$ 138,337
Funds expended	<u>138,337</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Project notes, non-HUD	\$ 138,337
Funds expended	<u>138,337</u>
Excess of Funds Advanced	<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated July 1, 2008, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD
DECATUR, ILLINOIS 62526
(217) 872-1908

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, 2008, which collectively comprise the Peru Housing Authority's basic financial statements and have issued my report thereon dated August 27, 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 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 August 27, 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
August 27, 2009


Certified Public Accountant

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD
DECATUR, ILLINOIS 62526
(217) 872-1908

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, 2008. 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, 2008. 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 August 27, 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
August 27, 2009



Certified Public Accountant

**PERU HOUSING AUTHORITY
PERU, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended December 31, 2007 contained no findings.

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2008**

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 August 27, 2009.

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 August 27, 2009.

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
DECEMBER 31, 2008**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Interfunds	1295.002	\$ 11,161.40		1295.002
Administrative salaries	4110		\$ 6,984.39	2810.512
Maintenance salaries	4410		315.47	2810.512
Employee benefit contribution	4182		3,711.32	2810.512
Employee benefits - maintenance	4433		150.22	2810.512
(To set up Interfund account for salaries paid in 12/08 by Low Rent for Voucher and reimbursed in 2009)				

Voucher

(1)				
Vendors and contractors	2111	\$ 11,161.40		2111
Interfund to Low Rent	2245		\$ 11,161.40	2245
(To set up Interfund account for salaries paid in 12/08 by Low Rent for Voucher and reimbursed in 2009)				

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

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, 2008, 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. Sound accounting practices require that the Housing Authority adopt a policy regarding the classification of cash and cash equivalents vs. investments. Generally accepted accounting procedures allow investments with a maturity date of six months or less at the time of purchase to be classified as cash equivalents (as opposed to investments) in your financial statements. The housing authority has not adopted a formal policy at this time, therefore, I recommend that the agency adopt a policy that coincides with their current practice.
2. During the preparation of financial statements, the housing authority has designated certain revenues and certain expenditures as 'operating' revenues or 'operating' expenditures and other accounts are designated as 'non operating'. I suggest that the Housing Authority adopt a formal policy that coincides with the current practice

- 3.. During a review of disbursements it was noted that two purchases did not have backup one attached as required by internal control policies/procedures. In another instance, the detail of quotes obtained and selection of vendor was not adequately documented per the Housing Authority's procurement policy. The Housing Authority needs to review as disbursement transaction to determine that internal policies are being followed.

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.



Certified Public Accountant

Decatur, Illinois
August 27, 2009