



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B43538

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, 2010 to December 31, 2010. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Peru Housing Authority, as of December 31, 2010 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public 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, 2010

**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, 2010	7
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds Twelve Months Ended December 31, 2010	8
Statement of Cash Flows - Twelve Months Ended December 31, 2010	9
Notes to Financial Statements	11
SUPPLEMENTAL DATA	
Schedule of Federal Financial Assistance	22
PHA's Statement and Certification of Actual Modernization Cost - Phase IN36P091501-07	23
Phase IN36P091501-08	24
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	25
Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	27
Status of Prior Audit Findings	29
Schedule of Findings and Questioned Costs - Summary	30
Current Findings, Recommendations and Replies	31
Schedule of Adjusting Journal Entries	32
Financial Data Schedule - REAC Electronic Submission	33

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, 2010, 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, 2010 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 18, 2011, 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 18, 2011



Certified Public Accountant

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING DECEMBER 31, 2010

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, 2010. 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, 2010 by \$3,758,747 (Net Assets).
- The PHA's investment in Capital Assets, net of related debt as of December 31, 2010 was \$2,986,105.
- The PHA's total revenue for the fiscal year end December 31, 2010 was \$1,791,471.
- The PHA's total expenses for the fiscal year end December 31, 2010 were \$1,695,330. Therefore; the PHA's total combined revenue exceeded its total combined expenses by \$96,141.

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, 2010

ANALYSIS OF FINANCIAL STATEMENTS:

STATEMENT OF NET ASSETS

	INCREASE <u>2010</u>	<u>2009</u>	(DECREASE)
Cash and investments	\$ 846,948	\$ 924,761	\$ (77,813)
Other current assets	47,446	38,241	9,205
Notes receivable	-	-	-
Capital assets	<u>2,986,105</u>	<u>2,879,094</u>	<u>107,011</u>
TOTAL ASSETS	<u>\$ 3,880,499</u>	<u>\$ 3,842,096</u>	<u>\$ 38,403</u>
Current liabilities	\$ 83,663	\$ 154,125	\$ (70,462)
Non-Current liabilities	<u>38,089</u>	<u>38,688</u>	<u>(599)</u>
TOTAL LIABILITIES	<u>121,752</u>	<u>192,813</u>	<u>(71,061)</u>
Invested in capital assets	\$ 2,986,105	\$ 2,879,094	\$ 107,011
Restricted assets	159,245	164,527	(5,282)
Unrestricted assets	<u>613,397</u>	<u>605,662</u>	<u>7,735</u>
TOTAL NET ASSETS	<u>\$ 3,758,747</u>	<u>\$ 3,649,283</u>	<u>\$ 109,464</u>

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

The increase in other current assets is due to the increase in accounts receivables.

The increase in capital assets is due to the Stimulus Grant improvements.

The decrease in current liabilities is due to the no deferred revenue for Section Eight.

No substantial increase or decrease in non-current liabilities.

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

The increase in unrestricted assets is due to expenses being less 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, 2010

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

	YEAR ENDING JUNE 30, 2010		(DECREASE)
	INCREASE 2010	2009	
REVENUE			
Tenant revenue	\$ 277,388	\$ 283,081	\$ (5,693)
HUD operating and capital grants	1,352,711	1,382,305	(29,594)
Other government grants	135,249	5,975	129,274
Interest	9,376	10,519	(1,143)
Other revenue	6,489	13,653	(7,164)
Fraud recovery	<u>10,258</u>	<u>6,190</u>	<u>4,068</u>
TOTAL REVENUE	<u>\$ 1,791,471</u>	<u>\$ 1,701,723</u>	<u>\$ 89,748</u>
EXPENSES			
Administrative expenses	\$ 299,057	\$ 275,634	\$ 23,423
Tenant services	5,584	6,958	(1,374)
Utilities	49,619	49,799	(180)
Ordinary maintenance	159,827	146,614	13,213
Protective services	-	-	-
General expenses	66,834	66,798	36
Housing assistance payments	936,875	744,230	192,645
Extraordinary maintenance	7,127	3,356	3,771
Depreciation	<u>170,407</u>	<u>156,065</u>	<u>14,342</u>
TOTAL EXPENSES	<u>\$ 1,695,330</u>	<u>\$ 1,449,454</u>	<u>\$ 245,876</u>
EXCESS OF EXPENSES OVER REVENUE	<u>\$ 96,141</u>	<u>\$ 252,269</u>	

The decrease in HUD operating and capital grants is due to a decrease in operating subsidy.

The increase in administrative expenses is due to an increase 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 an increase in insurance expense.

The increase in housing assistance payments is due to a increase in leasing for the year and an increase in the State HAP program.

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING DECEMBER 31, 2010

SIGNIFICANT TRANSACTIONS

None

BUDGETARY HIGHLIGHTS

Low-Rent Public Housing (Operations Only)

CAPITAL ASSETS & LONG-TERM DEBT ACTIVITY DURING THE YEAR

During the year there were two Television sets and a smokers Post purchased for the Public Housing Program.

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

- Low Rent Program
 - Community Room TV - \$1,377
 - TV – \$701
 - Smokers Shed – \$700

- Capital Funds Program
 - CFP 2007 – \$3,208
 - CFP 2008 – \$100,614
 - CFRG – \$40,921
 - CFP 2010 – \$117,159

- 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, 2010**

ASSETS

CURRENT ASSETS

Cash	\$ 161,031
Accounts receivable (interfund eliminated)	35,465
Investments	488,583
Inventory	4,056
Deferred charges	<u>7,925</u>

Total Current Assets \$ 697,060

RESTRICTED ASSETS

Restricted cash	<u>\$ 197,334</u>
-----------------	-------------------

Total Restricted Assets \$ 197,334

CAPITAL ASSETS

Land, buildings and equipment	\$ 5,548,624
Less: accumulated depreciation	<u>-2,562,519</u>

Net Capital Assets \$ 2,986,105

Total Assets \$ 3,880,499

LIABILITIES

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	\$ 33,682
Accrued liabilities	27,083
Deferred revenue	<u>22,898</u>

Total Current Liabilities \$ 83,663

NONCURRENT LIABILITIES

FSS escrow	<u>\$ 38,089</u>
------------	------------------

Total Noncurrent Liabilities \$ 38,089

NET ASSETS

Invested in capital assets	\$ 2,986,105
Restricted net assets	159,245
Unrestricted	<u>613,397</u>

Total Net Assets \$ 3,758,747

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

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2010**

Operating Income

Tenant rental revenue	\$ 267,763
Tenant revenue - other	<u>9,625</u>
 Total Rental Income	 \$ 277,388
 HUD grants - operating	 1,090,809
Other government grants	135,249
Fraud recovery	10,258
Other revenue	7,841
Gain/loss on sale of fixed assets	<u>-1,352</u>
 Total Operating Income	 <u>\$ 1,520,193</u>

Operating Expenses

Administration	\$ 299,057
Tenant services	5,584
Utilities	49,619
Ordinary maintenance and operation	159,827
General expense	66,834
Extraordinary maintenance	7,127
Housing assistance payments	936,875
Depreciation	<u>170,407</u>
 Total Operating Expenses	 <u>\$ 1,695,330</u>
 Net Operating Income (Loss)	 \$ -175,137

Nonoperating Income (Expense)

Interest income	9,376
-----------------	-------

Capital Contributions

Capital fund grants	<u>261,902</u>
---------------------	----------------

Changes in net assets	\$ 96,141
Net assets, beginning of year	3,649,283
Prior period adjustments	<u>13,323</u>
 Net assets, end of year	 <u>\$ 3,758,747</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, 2010**

Operating Activities

Operating grants	\$ 1,142,495
Tenant revenue	279,280
Other revenue	16,747
Housing assistance payments	-936,875
Payments to employees	-261,259
Payments to suppliers and contractors	<u>-306,533</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -66,145</u>

Investing Activities

Investments (purchased) redeemed	\$ -488,583
Interest income	<u>9,376</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ -479,207</u>

Capital and Related Financing Activities

Capital fund grants	\$ 261,902
Additions (deletions) to fixed assets	<u>-277,418</u>
Net Cash Provided (Used) by Financing Activities	<u>\$ -15,516</u>

Net Change in Cash	\$ -560,868
Cash Balance at December 31, 2009	<u>919,233</u>
Cash Balance at December 31, 2010	<u><u>\$ 358,365</u></u>

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2010**

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

Net operating income (loss)	\$ -175,137
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	170,407
Adjustments to net assets	13,323
(Increase) decrease in accounts receivable	-14,394
(Increase) decrease in deferred charges	5,686
(Increase) decrease in other assets	-497
Increase (decrease) in account payable	-12,027
Increase (decrease) in accrued liabilities	4,512
Increase (decrease) in deferred revenues	-599
Increase (decrease) in other liabilities	<u>-57,419</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -66,145</u>

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2010**

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 Mayor, 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.

The Authority is governed by a Board of Commissioners appointed by the office of the Mayor, and has governance responsibilities over all activities related to all housing activities within the City. The Board of Commissioners has decision making authority and the power to designate management. The members do not serve at the discretion of the Mayor, i.e. they can only be removed for cause. The Authority's Board elects its own chairperson.

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, 2010
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

Although a formal policy has not been adopted, in financial statement preparation 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
- * A.R.R.A. - Formula Capital Stimulus Grant
- * State and Local

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 practice of the Housing Authority is to consider 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.

(f) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at December 31, 2010, 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, 2010
(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

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2010
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(j) Net Assets -

GASB Statement 34 requires the classification of net assets into three components as defined below:

- 1) Invested in capital assets, net of related debt - this component of net assets consists of capital assets, net of accumulated depreciation, costs to be recovered from future revenues and unamortized debt expense reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- 2) Restricted - this component of net assets consist of constraints placed on net assets use through external constraints imposed by creditors, contributors or laws and regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- 3) Unrestricted - this component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(k) Income Tax -

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

(l) 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.

(m)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.

(n)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.

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2010
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (o) Leasing activities (as lessor) - the Authority is the lessor of dwelling units mainly to low income and/or elderly and disabled residents. The rents under the lease are determined generally by the resident's income as adjusted by eligible deductions regulated by HUD, although the resident may elect for a flat rent option. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.
- (p) Rental income is recognized as rents become due.
- (q) At any time during the year and at year end, there are construction projects in process. These projects include modernizing rental units. The projects are funded by HUD and funds are requested periodically as costs are incurred.

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 \$250,000 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 or that the Authority will not be able to recover collateral securities in the possession of an outside party.
- b. Investments - Custodial credit risk is the risk that in the event of the failure of the depository, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party.

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

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

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

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

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2010
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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	\$ 118,874	\$ 120,290
Voucher	207,127	218,944
State and Local	<u>32,364</u>	<u>33,189</u>
Total	<u>\$ 358,365</u>	<u>\$ 372,423</u>

Similar to cash deposits, investments held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

Category 1 - Investments that are insured, registered or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.

Category 2 - Investments which are uninsured and unregistered held by the counter-party's trust department or agent in the Housing Authority's name.

Category 3 - Uninsured or unregistered investments held by the counter-party, its trust or its agent, but not in the Housing Authority's name.

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

<u>Program</u>	<u>Book Balance</u>	<u>Market Value</u>
Low Rent	<u>\$ 488,583</u>	<u>\$ 488,583</u>

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2010
(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, 2010, actual contributions by the Housing Authority and plan participants were \$24,523 related to salary and wages of \$264,956 paid during the year.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Accounts receivable - HUD	\$	30,261
Accounts receivable - miscellaneous		312
Accounts receivable - tenants		455
Fraud recovery		5,655
Allowance for doubtful accounts		<u>-1,218</u>
Subtotal	\$	35,465
Interfund		<u>33,922</u>
Total	\$	<u><u>69,387</u></u>

Note 6 - Investments

At December 31, 2011 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	0.495-2.37%	<u>\$ 488,583</u>	<u>\$ 488,583</u>

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2010
(CONTINUED)**

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	\$ 2,383
Prepaid expenses	<u>5,542</u>
Total	<u>\$ 7,925</u>

Note 8 - Fixed Assets

Balance as of December 31, 2010	\$ 2,986,105
Balance as of December 31, 2009	<u>2,879,094</u>
Net Increase (Decrease)	<u>\$ 107,011</u>

Reconciliation

Additions	\$ 265,447
Adjustments to basis	13,323
Disposed	-1,352
Current year depreciation expense	<u>-170,407</u> *
Net Increase (Decrease)	<u>\$ 107,011</u>

Analysis

	<u>01/01/2010 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>12/31/2010 Balance</u>
Land	\$ 609,137	\$ 0	\$ 0	\$ 609,137
Buildings	4,079,030	234,836	0	4,313,866
Equipment and furniture	339,735	9,844	6,023	343,556
Leasehold improvements	1,761	163,145	0	164,906
Construction in progress	<u>249,472</u>	<u>0</u>	<u>132,313</u>	<u>117,159</u>
Total	\$ 5,279,135	\$ 407,825	\$ 138,336	\$ 5,548,624
Accumulated depreciation	<u>-2,400,041</u>	<u>7,929</u>	<u>170,407</u> *	<u>-2,562,519</u>
Total	<u>\$ 2,879,094</u>	<u>\$ 415,754</u>	<u>\$ 308,743</u>	<u>\$ 2,986,105</u>

*Current year depreciation expense recognized.

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2010
(CONTINUED)**

Note 9 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 1,324
Tenants security deposits	<u>32,358</u>
Subtotal	\$ 33,682
Interfund	<u>33,922</u>
Total	<u>\$ 67,604</u>

Note 10 - 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 11 - Accrued Liabilities

Accrued liabilities consists of the following:

<u>Current Portion:</u>	
Payment in lieu of taxes	\$ 21,814
Accrued wages/payroll taxes	1,428
Accrued liabilities - other	<u>3,841</u>
Total	<u>\$ 27,083</u>

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2010
(CONTINUED)**

Note 12 - Deferred Revenue

This classification consists of the following:

Subsidy deferred	\$ 21,402
Deferred revenues - other	<u>1,496</u>
Total	<u><u>\$ 22,898</u></u>

Note 13 - Trust and Deposit Liabilities

This classification consists of the following accounts:

FSS escrow accounts	<u><u>\$ 38,089</u></u>
---------------------	-------------------------

Note 14 - Allocation of Costs

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

Note 15 - Contingencies

Federal Grants

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

Note 16 - Prior Period Adjustments

Prior period adjustments posted directly to surplus are detailed below:

Adjustments to fixed asset basis	<u><u>\$ 13,323</u></u>
----------------------------------	-------------------------

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2010
(CONTINUED)**

Note 17 - Contracts/Commitments

As of December 31, 2010, the Housing Authority had entered into the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended To Date</u>
CFP 501-09	\$ 137,827	\$ 123,659
Stimulus Grant 501-09	<u>176,381</u>	<u>176,381</u>
Total	<u>\$ 314,208</u>	<u>\$ 300,040</u>

Note 18 - 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 19 - Economic Dependency

The Housing Authority received most of its revenue (75%) 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, 2010**

<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 12/31/10	\$ <u>125,084</u>	\$ <u>125,084</u>	\$ <u>125,084</u>
Capital Funds Program	14.872	C-2076	FYE 12/31/10	\$ <u>405,251</u>	\$ <u>228,227</u>	\$ <u>228,227</u>
Housing Choice Voucher Program*	14.871	C-2076V	FYE 12/31/10	\$ <u>957,418</u>	\$ <u>957,418</u>	\$ <u>957,418</u>
A.R.R.A. - Formula Capital Fund Stimulus Grant	14.855	C-2076	FYE 12/31/10	\$ <u>176,381</u>	\$ <u>41,982</u>	\$ <u>41,982</u>
Total Housing Assistance				\$ <u>1,664,134</u>	\$ <u>1,352,711</u>	\$ <u>1,352,711</u>

*Denotes major program.

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P091501-07**

1. The Actual Modernization Costs of Phase IN36P091501-07 are as follows:

Funds approved	\$ 128,080
Funds expended	<u>128,080</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Project notes, non-HUD	\$ 128,080
Funds expended	<u>128,080</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, 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 IN36P091501-08**

1. The Actual Modernization Costs of Phase IN36P091501-08 are as follows:

Funds approved	\$	139,344
Funds expended		<u>139,344</u>
Excess of Funds Approved	\$	<u>0</u>
Funds advanced		
Project notes, non-HUD	\$	139,344
Funds expended		<u>139,344</u>
Excess of Funds Advanced	\$	<u>0</u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, 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.

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, 2010, and have issued my report thereon dated August 18, 2011. 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 Peru Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Peru Housing Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

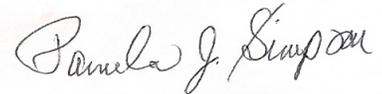
Compliance and Other Matters

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, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such 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 18, 2011.

This reported is 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 18, 2011

Handwritten signature of Pamela J. Simpson in cursive script.

Certified Public Accountant



Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on 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, 2010. 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, 2010. However, the results of my auditing procedures disclosed no instances of noncompliance with those requirements.

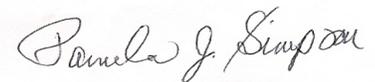
The management of Peru Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Peru Housing Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Peru Housing Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

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 18, 2011



Certified Public Accountant

**PERU HOUSING AUTHORITY
PERU, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended December 31, 2009 contained no findings.

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2010**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report:

Unqualified

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

* Significant deficiency (ies) identified? _____ 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? _____ 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 OMB Circular A-133? _____ yes X no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.871

Housing Choice Voucher Program

Dollar threshold used to distinguish between
type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

X yes _____ no

**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 18, 2011.

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 18, 2011.

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
DECEMBER 31, 2010**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Workers' comp insurance	4510.01	\$ 89.78		2810.512
Other insurance	4510	2,744.81		2810.512
Property insurance	4510.02		\$ 886.79	2810.512
Prepaid insurance	1211		1,947.80	1211
(To adjust prepaid assets to analysis)				
(2)				
HUD grant revenue - hard (501-07)	3401	\$ 998.00		n/a
Mgmt improvements (501-07)	1408	998.00		n/a
HUD grant revenue - soft (501-7)	3401.01		\$ 998.00	n/a
Invested in capital assets - 2007	2802		998.00	n/a
(To reclassify expenses)				
<u>Voucher</u>				
(1)				
A/R - Fulton Co H/A	1129.02		\$ 312.00	1129.02
Other admin and sundry	4190	\$ 312.00		2810.002
(To correct and set up as receivable from other PHA at year end to actual paid subsequently)				
(2)				
Vendor payable	2111	\$ 406.48		2111
Supplies	4190		\$ 386.47	2810.002
Maintenance materials	4420		20.01	2810.002
(To reverse prior year vendor payable paid in January 2010)				
(3)				
Workers' comp insurance	4510.01	\$ 1,094.00		2810.002
Insurance expense	4510		\$ 1,022.33	2810.002
Prepaid insurance	1211		71.67	1211
(To adjust prepaid assets to analysis)				
<u>Stimulus Grant</u>				
(1)				
HUD grant revenue - hard	3401	\$ 9,068.18		2802
Fees and costs	1430	9,068.18		2802
HUD grant revenue - soft	3401.01		\$ 9,068.18	2802
Invested in capital assets - 2009	2802		9,068.18	2802
(To reclassify expenses to actual)				

Housing Authority of the City of Peru (IN091)
PERU, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2010

	Project Total	14.885 Formula Capital Fund Stimulus Grant	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$86,516		\$9,793	\$32,364	\$128,673		\$128,673
112 Cash - Restricted - Modernization and Development							
113 Cash - Other Restricted			\$197,334		\$197,334		\$197,334
114 Cash - Tenant Security Deposits	\$32,358				\$32,358		\$32,358
115 Cash - Restricted for Payment of Current Liabilities							
100 Total Cash	\$118,874	\$0	\$207,127	\$32,364	\$358,365	\$0	\$358,365
121 Accounts Receivable - PHA Projects							
122 Accounts Receivable - HUD Other Projects	\$27,705	\$2,556			\$30,261		\$30,261
124 Accounts Receivable - Other Government							
125 Accounts Receivable - Miscellaneous			\$312		\$312		\$312
126 Accounts Receivable - Tenants	\$455	\$0			\$455		\$455
126.1 Allowance for Doubtful Accounts - Tenants	\$0	\$0			\$0		\$0
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current							
128 Fraud Recovery			\$5,655		\$5,655		\$5,655
128.1 Allowance for Doubtful Accounts - Fraud			-\$1,218		-\$1,218		-\$1,218
129 Accrued Interest Receivable							
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$28,160	\$2,556	\$4,749	\$0	\$35,465	\$0	\$35,465
131 Investments - Unrestricted	\$488,583				\$488,583		\$488,583
132 Investments - Restricted							
135 Investments - Restricted for Payment of Current Liability							
142 Prepaid Expenses and Other Assets	\$5,123		\$2,802	\$0	\$7,925		\$7,925
143 Inventories	\$3,167		\$989		\$4,056		\$4,056
143.1 Allowance for Obsolete Inventories	\$0		\$0		\$0		\$0
144 Inter Program Due From	\$15,445		\$18,477		\$33,922	-\$33,922	\$0
145 Assets Held for Sale							
150 Total Current Assets	\$659,352	\$2,556	\$234,044	\$32,364	\$928,316	-\$33,922	\$894,394
161 Land	\$609,137				\$609,137		\$609,137
162 Buildings	\$4,313,866				\$4,313,866		\$4,313,866
163 Furniture, Equipment & Machinery - Dwellings	\$121,522				\$121,522		\$121,522
164 Furniture, Equipment & Machinery - Administration	\$169,947		\$52,087		\$222,034		\$222,034
165 Leasehold Improvements	\$164,906				\$164,906		\$164,906
166 Accumulated Depreciation	-\$2,520,731		-\$41,788		-\$2,562,519		-\$2,562,519
167 Construction in Progress	\$117,159				\$117,159		\$117,159
168 Infrastructure							
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,975,806	\$0	\$10,299	\$0	\$2,986,105	\$0	\$2,986,105
171 Notes, Loans and Mortgages Receivable - Non-Current							
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due							
173 Grants Receivable - Non Current							
174 Other Assets							
176 Investments in Joint Ventures							
180 Total Non-Current Assets	\$2,975,806	\$0	\$10,299	\$0	\$2,986,105	\$0	\$2,986,105
190 Total Assets	\$3,835,158	\$2,556	\$244,343	\$32,364	\$3,914,421	-\$33,922	\$3,880,499

Housing Authority of the City of Peru (IN091)
PERU, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2010

	Project Total	14.885 Formula Capital Fund Stimulus Grant	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
311 Bank Overdraft							
312 Accounts Payable <= 90 Days	\$1,251		\$73		\$1,324		\$1,324
313 Accounts Payable >90 Days Past Due							
321 Accrued Wage/Payroll Taxes Payable	\$1,428				\$1,428		\$1,428
322 Accrued Compensated Absences - Current Portion							
324 Accrued Contingency Liability							
325 Accrued Interest Payable							
331 Accounts Payable - HUD PHA Programs							
332 Account Payable - PHA Projects							
333 Accounts Payable - Other Government	\$21,814				\$21,814		\$21,814
341 Tenant Security Deposits	\$32,358				\$32,358		\$32,358
342 Deferred Revenues			\$1,386	\$21,512	\$22,898		\$22,898
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds							
344 Current Portion of Long-term Debt - Operating Borrowings							
345 Other Current Liabilities							
346 Accrued Liabilities - Other	\$3,841				\$3,841		\$3,841
347 Inter Program - Due To		\$2,556	\$12,889	\$18,477	\$33,922	-\$33,922	\$0
348 Loan Liability - Current							
310 Total Current Liabilities	\$60,692	\$2,556	\$14,348	\$39,989	\$117,585	-\$33,922	\$83,663
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue							
352 Long-term Debt, Net of Current - Operating Borrowings							
353 Non-current Liabilities - Other			\$38,089		\$38,089		\$38,089
354 Accrued Compensated Absences - Non Current							
355 Loan Liability - Non Current							
356 FASB 5 Liabilities							
357 Accrued Pension and OPEB Liabilities							
350 Total Non-Current Liabilities	\$0	\$0	\$38,089	\$0	\$38,089	\$0	\$38,089
300 Total Liabilities	\$60,692	\$2,556	\$52,437	\$39,989	\$155,674	-\$33,922	\$121,752
508.1 Invested In Capital Assets, Net of Related Debt	\$2,975,806	\$0	\$10,299	\$0	\$2,986,105		\$2,986,105
509.2 Fund Balance Reserved							
511.2 Unreserved, Designated Fund Balance							
511.1 Restricted Net Assets	\$0	\$0	\$159,245	\$0	\$159,245		\$159,245
512.1 Unrestricted Net Assets	\$598,660	\$0	\$22,362	-\$7,625	\$613,397		\$613,397
512.2 Unreserved, Undesignated Fund Balance							
513 Total Equity/Net Assets	\$3,574,466	\$0	\$191,906	-\$7,625	\$3,758,747	\$0	\$3,758,747
600 Total Liabilities and Equity/Net Assets	\$3,635,158	\$2,556	\$244,343	\$32,364	\$3,914,421	-\$33,922	\$3,880,499

Housing Authority of the City of Peru (IN091)
PERU, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2010

	Project Total	14.885 Formula Capital Fund Stimulus Grant	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$267,763				\$267,763		\$267,763
70400 Tenant Revenue - Other	\$9,625				\$9,625		\$9,625
70500 Total Tenant Revenue	\$277,388	\$0	\$0	\$0	\$277,388	\$0	\$277,388
70600 HUD PHA Operating Grants	\$132,330	\$1,061	\$957,418		\$1,090,809		\$1,090,809
70610 Capital Grants	\$220,981	\$40,921			\$261,902		\$261,902
70710 Management Fee							
70720 Asset Management Fee							
70730 Book Keeping Fee							
70740 Front Line Service Fee							
70750 Other Fees							
70700 Total Fee Revenue					\$0	\$0	\$0
70800 Other Government Grants				\$135,249	\$135,249		\$135,249
71100 Investment Income - Unrestricted	\$8,828		\$18	\$7	\$8,853		\$8,853
71200 Mortgage Interest Income							
71300 Proceeds from Disposition of Assets Held for Sale							
71310 Cost of Sale of Assets							
71400 Fraud Recovery			\$10,258		\$10,258		\$10,258
71500 Other Revenue	\$4,065		\$3,776		\$7,841		\$7,841
71600 Gain or Loss on Sale of Capital Assets	-\$1,352				-\$1,352		-\$1,352
72000 Investment Income - Restricted			\$523		\$523		\$523
70000 Total Revenue	\$642,240	\$41,982	\$971,993	\$135,256	\$1,791,471	\$0	\$1,791,471
91100 Administrative Salaries	\$83,804		\$67,718	\$15,326	\$166,848		\$166,848
91200 Auditing Fees	\$3,088		\$1,500		\$4,588		\$4,588
91300 Management Fee							
91310 Book-keeping Fee							
91400 Advertising and Marketing	\$169				\$169		\$169
91500 Employee Benefit contributions - Administrative	\$30,921		\$47,737		\$78,658		\$78,658
91600 Office Expenses	\$15,076		\$5,783	\$1,987	\$22,846		\$22,846
91700 Legal Expense	\$1,188				\$1,188		\$1,188
91800 Travel	\$553		\$134	\$151	\$838		\$838
91810 Allocated Overhead							
91900 Other	\$16,066	\$1,061	\$5,834	\$961	\$23,922		\$23,922
91000 Total Operating - Administrative	\$150,865	\$1,061	\$128,706	\$18,425	\$299,057	\$0	\$299,057
92000 Asset Management Fee							
92100 Tenant Services - Salaries	\$3,600				\$3,600		\$3,600
92200 Relocation Costs							
92300 Employee Benefit Contributions - Tenant Services							
92400 Tenant Services - Other	\$1,984				\$1,984		\$1,984
92500 Total Tenant Services	\$5,584	\$0	\$0	\$0	\$5,584	\$0	\$5,584

Housing Authority of the City of Peru (IN091)
PERU, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2010

	Project Total	14.885 Formula Capital Fund Stimulus Grant	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
93100 Water	\$3,269				\$3,269		\$3,269
93200 Electricity	\$27,570				\$27,570		\$27,570
93300 Gas							
93400 Fuel							
93500 Labor							
93600 Sewer	\$15,630				\$15,630		\$15,630
93700 Employee Benefit Contributions - Utilities							
93800 Other Utilities Expense	\$3,150				\$3,150		\$3,150
93000 Total Utilities	\$49,619	\$0	\$0	\$0	\$49,619	\$0	\$49,619
94100 Ordinary Maintenance and Operations - Labor	\$89,528		\$2,711		\$92,239		\$92,239
94200 Ordinary Maintenance and Operations - Materials and Other	\$13,739		\$941	\$24	\$14,604		\$14,604
94300 Ordinary Maintenance and Operations Contracts	\$12,023				\$12,023		\$12,023
94500 Employee Benefit Contributions - Ordinary Maintenance	\$39,245		\$1,716		\$40,961		\$40,961
94000 Total Maintenance	\$154,535	\$0	\$5,268	\$24	\$159,827	\$0	\$159,827
95100 Protective Services - Labor							
95200 Protective Services - Other Contract Costs							
95300 Protective Services - Other							
95500 Employee Benefit Contributions - Protective Services							
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$19,854				\$19,854		\$19,854
96120 Liability Insurance	\$1,396				\$1,396		\$1,396
96130 Workmen's Compensation	\$2,415		\$1,094		\$3,509		\$3,509
96140 All Other Insurance	\$8,402		\$1,670		\$10,072		\$10,072
96100 Total Insurance Premiums	\$32,067	\$0	\$2,764	\$0	\$34,831	\$0	\$34,831
96200 Other General Expenses			\$773		\$773		\$773
96210 Compensated Absences							
96300 Payments in Lieu of Taxes	\$21,814				\$21,814		\$21,814
96400 Bad debt - Tenant Rents			\$9,416		\$9,416		\$9,416
96500 Bad debt - Mortgages							
96600 Bad debt - Other							
96800 Severance Expense							
96000 Total Other General Expenses	\$21,814	\$0	\$10,189	\$0	\$32,003	\$0	\$32,003
96710 Interest of Mortgage (or Bonds) Payable							
96720 Interest on Notes Payable (Short and Long Term)							
96730 Amortization of Bond Issue Costs							
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$414,484	\$1,061	\$146,927	\$18,449	\$580,921	\$0	\$580,921
97000 Excess of Operating Revenue over Operating Expenses	\$227,756	\$40,921	\$825,068	\$116,807	\$1,210,550	\$0	\$1,210,550

Housing Authority of the City of Peru (IN091)
PERU, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2010

	Project Total	14.865 Formula Capital Fund Stimulus Grant	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
97100 Extraordinary Maintenance	\$7,127				\$7,127		\$7,127
97200 Casualty Losses - Non-capitalized							
97300 Housing Assistance Payments			\$813,758	\$123,117	\$936,875		\$936,875
97350 HAP Portability-In							
97400 Depreciation Expense	\$165,396		\$5,011		\$170,407		\$170,407
97500 Fraud Losses							
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense							
90000 Total Expenses	\$587,007	\$1,061	\$965,696	\$141,566	\$1,695,330	\$0	\$1,695,330
10010 Operating Transfer In	\$500				\$500	-\$500	\$0
10020 Operating transfer Out	-\$500				-\$500	\$500	\$0
10030 Operating Transfers from/to Primary Government							
10040 Operating Transfers from/to Component Unit							
10050 Proceeds from Notes, Loans and Bonds							
10060 Proceeds from Property Sales							
10070 Extraordinary Items, Net Gain/Loss							
10080 Special Items (Net Gain/Loss)							
10091 Inter Project Excess Cash Transfer In							
10092 Inter Project Excess Cash Transfer Out							
10093 Transfers between Program and Project - In							
10094 Transfers between Project and Program - Out							
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$55,233	\$40,921	\$6,297	-\$6,310	\$96,141	\$0	\$96,141
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$3,482,147	\$0	\$168,449	-\$1,313	\$3,649,283		\$3,649,283
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$37,086	-\$40,921	\$17,160	-\$2	\$13,323		\$13,323
11050 Changes in Compensated Absence Balance							
11060 Changes in Contingent Liability Balance							
11070 Changes in Unrecognized Pension Transition Liability							
11080 Changes in Special Term/Severance Benefits Liability							
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents							
11100 Changes in Allowance for Doubtful Accounts - Other							
11170 Administrative Fee Equity			\$32,661		\$32,661		\$32,661
11180 Housing Assistance Payments Equity			\$159,245		\$159,245		\$159,245
11190 Unit Months Available	1236	0	2544	480	4260		4260
11210 Number of Unit Months Leased	1208	0	2426	304	3938		3938
11270 Excess Cash	\$556,698				\$556,698		\$556,698
11610 Land Purchases	\$0				\$0		\$0
11620 Building Purchases	\$247,975				\$247,975		\$247,975
11630 Furniture & Equipment - Dwelling Purchases	\$0				\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0				\$0		\$0
11650 Leasehold Improvements Purchases	\$13,927				\$13,927		\$13,927
11660 Infrastructure Purchases	\$0				\$0		\$0
13510 CFFP Debt Service Payments	\$0				\$0		\$0
13901 Replacement Housing Factor Funds	\$0				\$0		\$0

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, 2010, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authorities internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

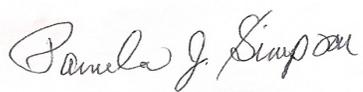
Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the 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. During our review of insurance coverage, it was noted that none of the insurance premiums had been allocated to the Section 8 Housing Choice Voucher Program. The PHA should allocate a portion of applicable insurance expenses to the Section 8 program (for example: worker's compensation).
2. The 2007 Capital Fund has been totally expended, but not all the money has been drawn down pending an approved line item budget revision. Once the formal revision approval is received, the funds should be drawn through the LLOCS system.

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
August 18, 2011



Certified Public Accountant