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May 19, 2009

Board of Commissioners  
Peru Housing Authority  
701 E. Main St.  
Peru, IN 46970

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period January 1, 2006 to December 31, 2006. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Peru Housing Authority, as of December 31, 2006, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

**PERU HOUSING AUTHORITY  
PERU, INDIANA**

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

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**TWELVE MONTHS ENDED DECEMBER 31, 2006**

**PERU HOUSING AUTHORITY  
PERU, INDIANA**

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# PAMELA J. SIMPSON, C.P.A.

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(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, 2006, 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, 2006 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 June 20, 2007, 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  
June 20, 2007

  
Certified Public Accountant

**HOUSING AUTHORITY OF THE CITY OF PERU  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING DECEMBER, 2006**

**Management's Discussion and Analysis**

As management of the Housing Authority of the City of Peru, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Shirley Foreman, Housing Authority of the City of Peru.

**Overview of the Financial Statements**

The financial statements included in this annual report are those of a special-purpose government engaged in a business-type activity. The following statements are included:

- Statement of Net Assets – reports the Authority's current financial resources (short term spendable resources) with capital assets and long-term debt obligations.
- Statement of Revenues, Expenses, and Changes in Fund Net Assets reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- Statement of Cash Flows – reports the Authority's cash flows from operating, investing, capital and non-capital activities.
- Comparison of budget vs. actual – reports the Authority's actual operating revenues and expenses versus the budgeted amounts.

The financial section provides both long term and short term information about the Authority's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed facts.

The attached analysis of entity wide net assets, revenues, and expenses are provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual basis of accounting.

Accrual accounting is similar to the accounting used by most private sector companies. Accrual accounting recognizes revenues and expenses when earned regardless of when cash is received or paid.

Our analysis also presents the Authority's net assets and changes in them. One can think of the Authority's net assets as the difference between what the Authority owns (assets) to what the Authority owes (liabilities). The change in net assets analysis will assist the reader with measuring the health or financial position of the Authority.

**HOUSING AUTHORITY OF THE CITY OF PERU  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING DECEMBER, 2006**

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Over time, significant changes in the Authority's net assets are an indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any Authority the reader must also consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of the Authority's capital assets.

To fully understand the financial statements of the Housing Authority, one must start with an understanding of what the Authority actual does. The following is a brief description of the programs and services that the Authority provides for the residents of Peru Housing:

***Low Income Public Housing (LIPH)***

The Housing Authority owns 104 units at 1 site in Peru. Peru Housing has 104 elderly and disabled units. The Authority is responsible for the management, maintenance and utilities for all units and sites. On an annual basis, the Authority submits a request for funding known as the Calculation of Operating Fund Subsidy. The basic concept of the Calculation of Operating Subsidy is that the Authority has an Allowable Expense Level, Allowable Utilities Expense Level and Audit Costs and that HUD will fund the difference between the Allowable Expenses and the amount of rents that the Authority can charge the Authority's tenants.

***Section 8 Housing Choice Vouchers (Section 8 Vouchers)***

HUD has contracted with the Peru Housing Authority support for 212 Housing Choice Vouchers. The Authority pays Housing Assistance Payments to landlords for Low Income tenants. The Housing Assistance Payment matches the difference between the total rent that the landlord can charge, at or below a fair market rent amount supplied by HUD, and the amount that the tenant can pay. For each unit that the Authority administers, HUD pays the Authority an administrative fee. The Housing Authority is not responsible for the upkeep and maintenance of the units and properties associated with this program.

***Capital Fund/Comprehensive Grant Program (CFP/CGP)***

These grant programs are awarded by HUD on an annual basis. The purpose of these grants is to improve both the Authority's sites and the management of the Authority. The Authority requisitions funds from HUD as the Authority expends funds. The Authority is permitted four years to fully expend an annual award.

**Future Events (New Business)**

There are no future events planned by the Authority during the fiscal year ending December 31, 2007 that will significantly affect the Authority's Net Assets either positively or negatively.

**HOUSING AUTHORITY OF THE CITY OF PERU  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING DECEMBER, 2006**

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**Condensed Comparative Financial Statements**

*Analysis of Entity Wide Net Assets (Statement of Net Assets)*

**Total Assets** for FYE 2005 were \$3,339,841 and at FYE 2006 the amount was \$3,423,177. This represents a net increase of \$83,336 or 2%.

**Cash** increased by \$546,465. Cash increased because of investments being reclassified as cash equivalents.

**Other Current Assets** decreased by \$465,085 or 95%. The Authority decrease is due to the reclassification of investments to cash equivalents and an increase in allowance for doubtful accounts.

**Capital Assets** had a slight increase of 0.1%. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

**Current Liabilities** decreased 1.5% or \$802. The major causes of this were increases in both PILOT and vendor payable offset by a decrease in tenant security deposits.

The table below illustrates our analysis:

	2006	2005	Net Change	Percent Variance
Cash	561,550	15,085	546,465	3622.6%
Other Current Assets	26,958	492,043	-465,085	-94.5%
Capital Assets	2,834,669	2,832,713	1,956	0.1%
<b>Total Assets</b>	<b>3,423,177</b>	<b>3,339,841</b>	<b>83,336</b>	<b>2.5%</b>
Current Liabilities	52,340	53,142	-802	-1.5%
Long Term Liabilities	27,579	30,818	-3,239	-10.5%
<b>Total Liabilities</b>	<b>79,919</b>	<b>83,960</b>	<b>-4,041</b>	<b>-4.8%</b>
Net Invested in Capital Assets	2,834,669	2,832,713	1,956	0.1%
Restricted Net Assets	0	0	0	0.0%
Unrestricted Net Assets	508,589	423,168	85,421	20.2%
<b>Total Net Assets</b>	<b>3,343,258</b>	<b>3,255,881</b>	<b>87,377</b>	<b>2.7%</b>

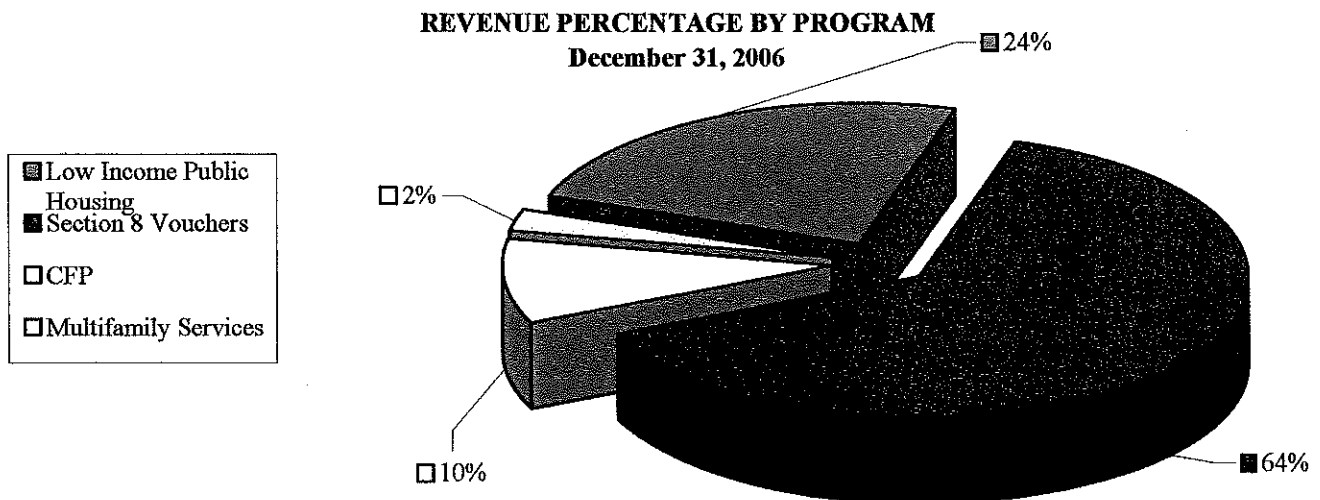
**HOUSING AUTHORITY OF THE CITY OF PERU  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING DECEMBER, 2006**

***Analysis of Entity Wide Revenues (Statement of Activities)***

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2006 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$347,011
Housing Choice Vouchers	\$874,850
Capital Funds Program	\$140,347
Multifamily Housing Services	\$33,849

The diagram below illustrates the percentage of revenues generated by these programs for Fiscal Year Ending December 31, 2006:



**HOUSING AUTHORITY OF THE CITY OF PERU  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING DECEMBER, 2006**

Total revenues for Fiscal Year Ending December 31, 2006 were \$1,396,057 as compared to the total revenues for Fiscal Year Ending December 31, 2005 of \$1,287,565. Comparatively, Fiscal Year Ending 2006 revenues exceeded Fiscal Year Ending 2005 revenues by \$108,492 or 8%.

Investment income increases were a result of the Housing Authority earning better rates of interest during the current fiscal year. Other Revenue increases were related to an increase in other charges for services.

	2006	2005	Net Change	Percentage Change
Total Tenant Revenue	229,890	217,703	12,187	6%
HUD Grants	1,139,695	1,050,575	89,120	9%
Investment Income	16,161	9,273	6,888	74%
Fraud Recovery	4,736	4,974	-238	-5%
Other Revenue	7,735	5,040	2,695	54%
Gain/Loss on Sale of Fixed Assets	-2,160	0	-2,160	100%
Total Revenue	1,396,057	1,287,565	108,492	8%

*Analysis of Entity Wide Expenditures*

**Total Expenditures** for Fiscal Year Ending December 31, 2005 were \$1,338,155 as compared to \$1,308,680 of total expenditures for Fiscal Year Ending December 31, 2006. Comparatively, Fiscal Year Ending 2005 expenditures exceeded Fiscal Year Ending 2006 expenditures by \$29,475. Changes by major expense category will be presented below.

**Administrative** expenses decreased by \$6,604 or 3%. The major cause for this decrease is the decrease in administrative salaries.

**Tenant Services** expenses decreased by \$249 or 4%. The Authority expended slightly less this year than in the prior year because in Fiscal Year 2005 the Authority paid employee benefit contributions related to the tenant services salary.

**Utilities** decreased by \$467 or 1%. Electric costs decreased by \$662. Water and sewer costs increased \$195 because of an increase in rates.

**Maintenance** expenses increased by \$12,357 or 13%. The major cause for this increase was higher salary for labor and increased costs of health benefits.

**Extraordinary Maintenance** decreased by \$5,624 or 57%.

**Housing Assistance Payments** decreased by \$33,671 or 5%.

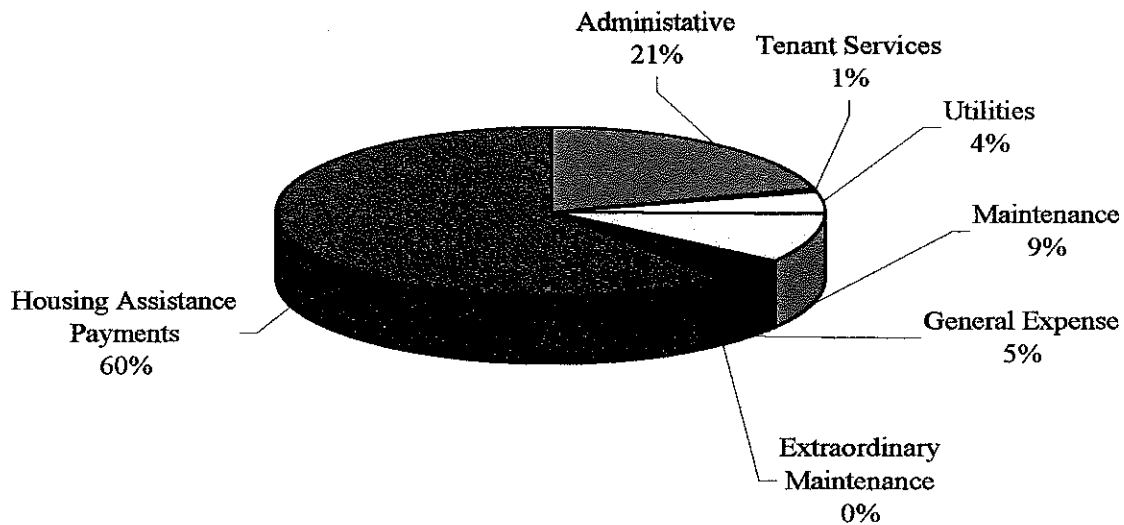
**HOUSING AUTHORITY OF THE CITY OF PERU  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING DECEMBER, 2006**

The table below illustrates our analysis:

	2006	2005	Net Change	Percent Variances
Administrative	240,536	247,140	(6,604)	-3%
Tenant Services	5,939	6,188	(249)	-4%
Utilities	46,195	46,662	(467)	-1%
Maintenance	110,164	97,807	12,357	13%
General Expense	53,156	50,960	2,196	4%
Extraordinary Maintenance	4,208	9,832	(5,624)	-57%
Housing Assistance Payments	703,646	737,317	(33,671)	-5%
Depreciation Expense	144,836	142,249	2,587	2%
<b>Total Expenses</b>	<b>\$1,308,680</b>	<b>\$1,338,155</b>	<b>(\$29,475)</b>	<b>-2%</b>

The diagram below illustrates the percentage of Authority expenditures by these categories excluding Depreciation Expense for Fiscal Year Ending December 31, 2006:

**Expenses by Category**



**HOUSING AUTHORITY OF THE CITY OF PERU  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING DECEMBER, 2006**

**Budgetary Analysis**

The Authority adopts a consolidated annual operating budget for all programs. The budget for Low Income Public housing is adopted on the basis of accounting prescribed by the Housing and Urban Development, which differs in some respects from generally accepted accounting principles. Program budgets for the Section 8 Programs are approved by the U.S. Department of Housing and Urban Development.

The Authority prepares a budget for each fiscal year of Capital Fund Grant Program that is approved. The Authority is permitted four years to expend these funds. Income is only recognized as funds are expended. For the purposes of this analysis, the amount budgeted is equal to the actual expense.

***Housing Authority Budgetary Highlights***

**Results of Operations**

Management prepared a budget that anticipated net income of \$103,946 before depreciation expense. Actual results of operation reflected net income after depreciation of \$76,499.

**Tenant Rental Revenue** was over budget by \$13,970 or 6%.

**HUD Operating Grants** were over budget by \$61,478 or 6%.

**Other Income** was not budgeted for, but actual amounts included other tenant charges for services and Section 8 Voucher fraud recovery, resulting in an over budget by \$10,311.

**Administrative expenses** were well over budget by \$34,717 or 17% due to a rise in employee benefits and salaries, and other admin/sundry.

**Maintenance expenses** were over budget by \$5,984 or 7% due to an increase in Low Rent Public Housing labor.

**Housing Assistance Payments** were well under budget by \$69,086 due to the receipt of \$30,314.00 a year end settlement for fiscal year 2004 received in November 2006. In addition, occupancy count was slightly down as the Section 8 turnover rate was matching the put on rate at year end and actual funding awards were not made until late in the fiscal year.

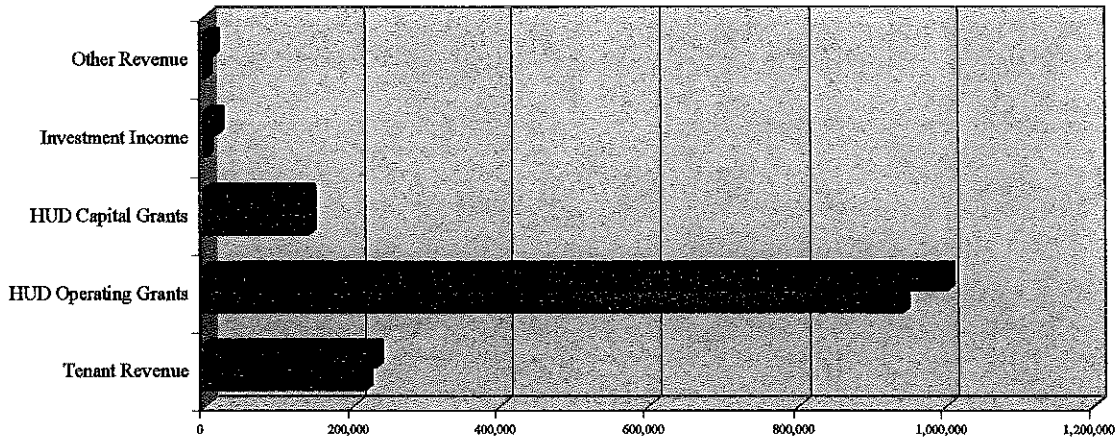
**HOUSING AUTHORITY OF THE CITY OF PERU  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING DECEMBER, 2006**

	Budget	Actual	Variance	Percent Variances
Tenant Revenue	215,920	229,890	13,970	6%
HUD Operating Grants	939,870	1,001,348	61,478	6%
HUD Capital Grants	138,347	138,347	0	0%
Investment Income	2,200	16,161	13,961	86%
Other Revenue	0	10,311	10,311	100%
<b>Total Revenue</b>	<b>1,296,337</b>	<b>1,396,057</b>	<b>99,720</b>	<b>7%</b>
Administrative	205,819	240,536	34,717	14%
Tenant Services	4,300	5,939	1,639	28%
Utilities	46,700	46,195	-505	-1%
Maintenance	104,230	110,164	5,934	5%
General Expense	51,090	53,156	2,066	4%
Extraordinary Maintenance	7,520	4,208	-3,312	-79%
Housing Assistance Payments	772,732	703,646	-69,086	-10%
Depreciation Expenses	0	144,836	144,836	100%
<b>Total Expenses</b>	<b>1,192,391</b>	<b>1,308,680</b>	<b>116,289</b>	<b>9%</b>
Net Income/(Loss)	103,946	87,377	-16,569	-19%

The diagrams on the next page illustrate the Authority's Budget compared to Actual for Revenue and Expense for Fiscal Year Ending December 31, 2006:

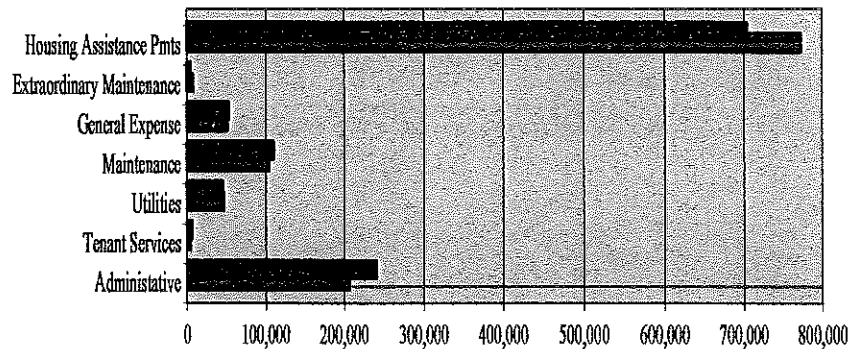
**HOUSING AUTHORITY OF THE CITY OF PERU  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING DECEMBER, 2006**

**Revenues - Budget Vs. Actual**



	Tenant Revenue	HUD Operating Grants	HUD Capital Grants	Investment Income	Other Revenue
Actual	229,890	1,001,348	138,347	16,161	10,311
Budget	215,920	939,870	138,347	2,200	0

**Expenses - Budget Vs. Actual**



	Administrative	Tenant Services	Utilities	Maintenance	General Expense	Extraordinary Maintenance	Housing Assistance Pmts
Actual	240,536	5,939	46,195	110,164	53,156	4,208	703,646
Budget	205,819	4,300	46,700	104,230	51,090	7,520	772,732

**HOUSING AUTHORITY OF THE CITY OF PERU  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING DECEMBER, 2006**

**ANALYSIS OF CAPITAL ASSET ACTIVITY**

**Buildings** increased by \$230 or 1% as a result of the purchase of a water heater capitalized as a building improvement.

**Furniture, Equipment & Machinery – Dwelling** decreased by \$23,209 or 18% due to the write-off of an obsolete fixed asset.

**Furniture, Equipment & Machinery – Nondwelling** decreased by \$4,161 or 2% due to the write-off of obsolete fixed assets.

**Leasehold Improvements** increased by \$92,140 from the closing of CFP 2003 grants in process to low rent public housing at completion.

**Accumulated Depreciation** increased by \$74,746, which relates to the current depreciation expense.

	2006	2005	Net Change	Percent Variance
Land	609,137	609,137	0	0.0%
Buildings	3,670,750	3,670,520	230	0.0%
Furniture, Equipment, & Machinery - Dwelling	103,563	126,772	(23,209)	-18.3%
Furniture, Equipment, & Machinery - Administrative	220,980	225,141	(4,161)	-1.8%
Leasehold Improvements	93,901	1,761	92,140	5232.3%
Construction in Process	124,280	112,578	11,702	10.4%
<b>Total Fixed Assets</b>	<b>4,822,611</b>	<b>4,745,909</b>	<b>76,702</b>	<b>1.6%</b>
Accumulated Depreciation	(1,987,942)	(1,913,196)	(74,746)	3.9%
<b>Net Fixed Assets</b>	<b>2,834,669</b>	<b>2,832,713</b>	<b>1,956</b>	<b>0.1%</b>

**PERU HOUSING AUTHORITY  
PERU, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
AS OF DECEMBER 31, 2006**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 561,550
Accounts receivable (interfund eliminated)	20,422
Inventory	1,913
Deferred charges	<u>4,623</u>

Total Current Assets \$ 588,508

**CAPITAL ASSETS**

Land, buildings and equipment	\$ 4,822,611
Less: accumulated depreciation	<u>-1,987,942</u>

Net Capital Assets \$ 2,834,669

Total Assets \$ 3,423,177

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable (interfund eliminated)	\$ 34,213
Accrued liabilities	<u>18,127</u>

Total Current Liabilities \$ 52,340

**NONCURRENT LIABILITIES**

FSS escrow	\$ <u>27,579</u>
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Total Noncurrent Liabilities \$ 27,579

**NET ASSETS**

Invested in capital assets	\$ 2,834,669
Unrestricted	<u>508,589</u>

Total Net Assets \$ 3,343,258

**PERU HOUSING AUTHORITY  
PERU, INDIANA**

**STATEMENT OF REVENUE AND EXPENDITURES - PROPRIETARY FUNDS  
AND CHANGES IN NET ASSETS  
TWELVE MONTHS ENDED DECEMBER 31, 2006**

Operating Income

Tenant rental revenue	\$ 227,572
Tenant revenue - other	<u>2,318</u>
Total Rental Income	\$ 229,890
HUD grants - operating	1,001,348
Fraud recovery	4,736
Other revenue	7,735
Gain/loss on sale of fixed assets	<u>-2,160</u>
Total Operating Income	<u>\$ 1,241,549</u>

Operating Expenses

Administration	\$ 240,536
Tenant services	5,939
Utilities	46,195
Ordinary maintenance and operation	110,164
General expense	53,156
Extraordinary maintenance	4,208
Housing assistance payments	703,646
Depreciation	<u>144,836</u>
Total Operating Expenses	<u>\$ 1,308,680</u>
Net Operating Income (Loss)	<u>\$ -67,131</u>

Nonoperating Income (Expense)

HUD grants - capital	\$ 138,347
Interest income	<u>16,161</u>
Total Nonoperating Income (Expense)	<u>\$ 154,508</u>
Changes in net assets	\$ 87,377
Net assets, beginning of year	3,255,881
Prior period adjustments	<u>0</u>
Net assets, end of year	<u>\$ 3,343,258</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, 2006**

Operating Activities

Operating grants	\$ 981,249
Tenant revenue	228,014
Other revenue	10,311
Housing assistance payments	-703,646
Payments to employees	-203,320
Payments to suppliers and contractors	<u>-258,959</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 53,649</u>

Investing Activities

Investments (purchased) redeemed	\$ 485,100
Interest income	<u>16,161</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 501,261</u>

Capital and Related Financing Activities

HUD grants - capital	\$ 138,347
Additions to fixed assets	<u>-146,792</u>
Net Cash Provided (Used) by Financing Activities	<u>\$ -8,445</u>

Net Change in Cash	\$ 546,465
Cash Balance at December 31, 2005	<u>15,085</u>
Cash Balance at December 31, 2006	<u><u>\$ 561,550</u></u>

**PERU HOUSING AUTHORITY  
PERU, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED DECEMBER 31, 2006**

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

Net operating income (loss)	\$ -67,131
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	144,836
Adjustments to net assets	0
(Increase) decrease in accounts receivable	-64,997
(Increase) decrease in deferred charges	-1,663
(Increase) decrease in other assets	226
Increase (decrease) in account payable	30,625
Increase (decrease) in accrued liabilities	1,284
Increase (decrease) in deferred revenues	13,708
Increase (decrease) in other liabilities	<u>-3,239</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 53,649</u>

**PERU HOUSING AUTHORITY  
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2006**

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, 2006  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Funds -

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

- \* Low Rent Public Housing
- \* Section 8 Choice Vouchers
- \* Capital Fund Program
- \* Multifamily Housing Service

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

*Proprietary Fund Types:*

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

(d) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Housing Authority considers all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of one (1) month or less when purchased to be cash equivalents.

(e) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at December 31, 2006, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(f) Inventories and Materials -

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

(g) Investments -

Investments are stated at cost which approximates market.

**PERU HOUSING AUTHORITY  
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2006  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(h) Fixed Assets -

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

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

Land, buildings and equipment contains the following:

- 1) The total development construction costs incurred for each project at the end of the initial operating period,
- 2) nonexpendable equipment, and
- 3) property betterments and additions
- 4) land acquisitions.

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

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

(i) Income Tax -

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

**PERU HOUSING AUTHORITY  
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2006  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(j) Annual Contributions/Subsidies and Other Grants

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

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

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

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

Note 2 - Cash and Investments

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

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

*Custodial Credit Risk*

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

**PERU HOUSING AUTHORITY  
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2006  
(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>Fund</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent	\$ 342,888	\$ 348,092
Voucher	<u>218,662</u>	<u>221,587</u>
Total	<u>\$ 561,550</u>	<u>\$ 569,679</u>

**PERU HOUSING AUTHORITY  
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2006  
(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 8% of the gross annual wages of the employee. For the fiscal year ended December 31, 2006, actual contributions by the Housing Authority and plan participants were \$20,985.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable	\$ 323
Accounts receivable - HUD	20,099
Fraud recovery	16,712
Allowance for doubtful accounts	<u>-16,712</u>
Subtotal	\$ 20,422
Interfund	<u>86,469</u>
Total	<u>\$ 106,891</u>

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	\$ 2,778
Prepaid service agreement	<u>1,845</u>
Total	<u>\$ 4,623</u>

**PERU HOUSING AUTHORITY  
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2006  
(CONTINUED)**

Note 8 - Fixed Assets

Balance as of December 31, 2006	\$ 2,834,669
Balance as of December 31, 2005	<u>2,832,713</u>
Net Increase (Decrease)	<u>\$ 1,956</u>

Reconciliation

Additions	\$ 153,757
Disposed	-6,965
Current year depreciation expense	<u>-144,836</u>
Net Increase (Decrease)	<u>\$ 1,956</u>

Analysis

	01/01/2006 Balance	Additions/ Transfers	Deletions/ Transfers	12/31/2006 Balance
Land	\$ 609,137	\$ 0	\$ 0	\$ 609,137
Buildings	3,670,520	230	0	3,670,750
Equipment and furniture	351,913	70,902	98,272	324,543
Leasehold improvements	1,761	92,140	0	93,901
Construction in progress	<u>112,578</u>	<u>103,842</u>	<u>92,140</u>	<u>124,280</u>
Total	\$ 4,745,909	\$ 267,114	\$ 190,412	\$ 4,822,611
Accumulated depreciation	<u>-1,913,196</u>	<u>70,090</u>	<u>144,936</u>	<u>-1,987,942</u>
Total	<u>\$ 2,832,713</u>	<u>\$ 337,204</u>	<u>\$ 335,248</u>	<u>\$ 2,834,669</u>

Note 9 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 6,178
Tenants security deposits	<u>28,035</u>
Subtotal	\$ 34,213
Interfund	<u>86,469</u>
Total	<u>\$ 120,682</u>

**PERU HOUSING AUTHORITY  
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2006  
(CONTINUED)**

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:

Payment in lieu of taxes	\$ <u>18,127</u>
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Note 12 - Trust and Deposit Liabilities

This classification consists of the following accounts:

FSS escrow accounts	\$ <u>27,579</u>
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Note 13 - 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 14 - 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, 2006  
(CONTINUED)

Note 15 - 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 16 - Economic Dependency

The Housing Authority received most of its revenue (82%) 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, 2006**

<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	14.850	C-2076	FYE 12/31/06	\$ <u>101,181</u>	\$ <u>101,181</u>	\$ <u>101,181</u>
Capital Funds Program	14,872	C-2076	FYE 12/31/06	\$ <u>278,993</u>	\$ <u>140,347</u>	\$ <u>140,347</u>
Housing Choice Voucher Program*	14.871	C-2076V	FYE 12/31/06	\$ <u>864,318</u>	\$ <u>864,318</u>	\$ <u>864,318</u>
Multifamily Housing Services Coordinators		C-2076	FYE 12/31/06	\$ <u>33,849</u>	\$ <u>33,849</u>	\$ <u>33,849</u>
Total Housing Assistance				\$ <u>1,278,341</u>	\$ <u>1,139,695</u>	\$ <u>1,139,695</u>

\*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)  
TWELVE MONTHS ENDED DECEMBER 31, 2006**

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

**PERU HOUSING AUTHORITY  
PERU, INDIANA**

**STATEMENT OF NET ASSETS  
AS OF DECEMBER 31, 2006**

<u>ASSETS</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>	<u>Multifamily</u>
<b>CURRENT ASSETS</b>				
Cash	\$ 342,888	\$ 0	\$ 218,662	\$ 0
Accounts receivable	86,162	20,099	0	630
Inventory	832	0	1,081	0
Deferred charges	<u>4,623</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Current Assets	<u>\$ 434,505</u>	<u>\$ 20,099</u>	<u>\$ 219,473</u>	<u>\$ 630</u>
<b>CAPITAL ASSETS</b>				
Land, buildings and equipment	\$ 4,611,554	\$ 158,785	\$ 52,272	\$ 0
Less: Accumulated depreciation	<u>-1,963,875</u>	<u>-1,851</u>	<u>-22,216</u>	<u>0</u>
Net Capital Assets	<u>\$ 2,647,679</u>	<u>\$ 156,934</u>	<u>\$ 30,056</u>	<u>\$ 0</u>
Total Assets	<u>\$ 3,082,184</u>	<u>\$ 177,033</u>	<u>\$ 249,529</u>	<u>\$ 630</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 34,213	\$ 20,099	\$ 66,370	\$ 0
Accrued liabilities	<u>18,127</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Current Liabilities	<u>\$ 52,340</u>	<u>\$ 20,099</u>	<u>\$ 66,370</u>	<u>\$ 0</u>
<b>NONCURRENT LIABILITIES</b>				
FSS escrow	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 27,579</u>	<u>\$ 0</u>
Total Noncurrent Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 27,579</u>	<u>\$ 0</u>
<b>NET ASSETS</b>				
Invested in capital assets	\$ 2,647,679	\$ 156,934	\$ 30,056	\$ 0
Unrestricted	<u>382,165</u>	<u>0</u>	<u>125,794</u>	<u>630</u>
Total Net Assets	<u>\$ 3,029,844</u>	<u>\$ 156,934</u>	<u>\$ 155,850</u>	<u>\$ 630</u>

**PERU HOUSING AUTHORITY  
PERU, INDIANA**

**STATEMENT OF REVENUE AND EXPENDITURES  
TWELVE MONTHS ENDED DECEMBER 31, 2006**

<u>Operating Income</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>	<u>Multifamily</u>
Tenant rental revenue	\$ 227,572	\$ 0	\$ 0	\$ 0
Tenant revenue - other	<u>2,318</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Rental Income	\$ 229,890	\$ 0	\$ 0	\$ 0
HUD grants - operating	101,181	2,000	864,318	33,849
Fraud recovery	0	0	4,736	0
Other revenue	7,318	0	417	0
Gain/loss on sale of fixed assets	<u>-2,160</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Operating Income	<u>\$ 336,229</u>	<u>\$ 2,000</u>	<u>\$ 869,471</u>	<u>\$ 33,849</u>
 <u>Operating Expenses</u>				
Administration	\$ 112,759	\$ 2,000	\$ 92,558	\$ 33,219
Tenant Services	5,939	0	0	0
Utilities	46,195	0	0	0
Ordinary maintenance and operation	107,064	0	3,100	0
General expense	53,156	0	0	0
Extraordinary maintenance	4,208	0	0	0
Housing Assistance Payments	0	0	703,646	0
Depreciation	<u>138,128</u>	<u>1,851</u>	<u>4,857</u>	<u>0</u>
Total Operating Expenses	<u>\$ 467,449</u>	<u>\$ 3,851</u>	<u>\$ 804,161</u>	<u>\$ 33,219</u>
Net Operating Income (Loss)	<u>\$ -131,220</u>	<u>\$ -1,851</u>	<u>\$ 65,310</u>	<u>\$ 630</u>
 <u>Nonoperating Income (Expense)</u>				
HUD grants - capital	\$ 0	\$ 138,347	\$ 0	\$ 0
Interest income	<u>10,782</u>	<u>0</u>	<u>5,379</u>	<u>0</u>
Total Nonoperating Income (Expense)	<u>\$ 10,782</u>	<u>\$ 138,347</u>	<u>\$ 5,379</u>	<u>\$ 0</u>
Change in Net Assets	<u>\$ -120,438</u>	<u>\$ 136,496</u>	<u>\$ 70,689</u>	<u>\$ 630</u>

**PERU HOUSING AUTHORITY  
PERU, INDIANA**

**STATEMENT OF CHANGES IN NET ASSETS  
TWELVE MONTHS ENDED DECEMBER 31, 2006**

<u>Invested in Capital Assets</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>	<u>Multifamily</u>
Balance at December 31, 2005	\$ 2,672,819	\$ 131,676	\$ 28,218	\$ 0
Current year net income (loss)	-136,378	136,496	1,838	0
Capital Fund transfer	<u>111,238</u>	<u>-111,238</u>	<u>0</u>	<u>0</u>
Balance at December 31, 2006	<u>\$ 2,647,679</u>	<u>\$ 156,934</u>	<u>\$ 30,056</u>	<u>\$ 0</u>
 <u>Unrestricted Net Assets</u>				
Balance at December 31, 2005	\$ 366,225	\$ 0	\$ 56,943	\$ 0
Current year net income (loss)	<u>15,940</u>	<u>0</u>	<u>68,851</u>	<u>630</u>
Balance at December 31, 2006	<u>\$ 382,165</u>	<u>\$ 0</u>	<u>\$ 125,794</u>	<u>\$ 630</u>
Total Net Assets	<u>\$ 3,029,844</u>	<u>\$ 156,934</u>	<u>\$ 155,850</u>	<u>\$ 630</u>

**PERU HOUSING AUTHORITY  
PERU, INDIANA**

**STATEMENT OF CASH FLOWS  
TWELVE MONTHS ENDED DECEMBER 31, 2006**

<u>Operating Activities</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>	<u>Multifamily</u>
Operating grants	\$ 101,181	\$ -18,099	\$ 864,318	\$ 33,849
Tenant revenue	228,014	0	0	0
Other revenue	5,158	0	5,153	0
Housing assistance payments	0	0	-703,646	0
Payments to employees	-146,958	0	-56,362	0
Payments to suppliers and contractors	<u>-209,977</u>	<u>18,099</u>	<u>-33,232</u>	<u>-33,849</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -22,582</u>	<u>\$ 0</u>	<u>\$ 76,231</u>	<u>\$ 0</u>
 <u>Investing Activities</u>				
Investments (purchased) redeemed	\$ 350,740	\$ 0	\$ 134,360	\$ 0
Interest income	<u>10,782</u>	<u>0</u>	<u>5,379</u>	<u>0</u>
Net Cash Provided (Used) by Investing activities	<u>\$ 361,522</u>	<u>\$ 0</u>	<u>\$ 139,739</u>	<u>\$ 0</u>
 <u>Capital and Related Financing Activities</u>				
HUD grants - capital	\$ 0	\$ 138,347	\$ 0	\$ 0
Additions to fixed assets	<u>-1,750</u>	<u>-138,347</u>	<u>-6,695</u>	<u>0</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -1,750</u>	<u>\$ 0</u>	<u>\$ -6,695</u>	<u>\$ 0</u>
Net Change in Cash	\$ 337,190	\$ 0	\$ 209,275	\$ 0
Cash Balance at December 31, 2005	<u>5,698</u>	<u>0</u>	<u>9,387</u>	<u>0</u>
Cash Balance at December 31, 2006	<u>\$ 342,888</u>	<u>\$ 0</u>	<u>\$ 218,662</u>	<u>\$ 0</u>

**PERU HOUSING AUTHORITY  
PERU, INDIANA**

**STATEMENT OF CASH FLOWS  
TWELVE MONTHS ENDED DECEMBER 31, 2006**

Reconciliation of Operating Income (Loss) to Net Cash

<u>Provided (Used) by Operating Activities</u>	<u>Low Rent</u>	<u>Capital Funds</u>
Net operating income (loss)	\$ -131,220	\$ -1,851
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:		
Depreciation	138,128	1,851
Adjustments to net assets	0	0
(Increase) decrease in accounts receivable	-30,560	-20,099
(Increase) decrease in deferred charges	-1,663	0
(Increase) decrease in other assets	1,307	0
Increase (decrease) in accounts payable	142	20,099
Increase (decrease) in accrued liabilities	1,284	0
Increase (decrease) in deferred revenues	0	0
Increase (decrease) in other liabilities	<u>0</u>	<u>0</u>
Net Cash provided (Used) by Operating Activities	<u>\$ -22,582</u>	<u>\$ 0</u>
	<u>Voucher</u>	<u>Multifamily</u>
Net operating income (loss)	\$ 65,310	\$ 630
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:		
Depreciation	4,857	0
Adjustments to net assets	0	0
(Increase) decrease in accounts receivable	-13,708	-630
(Increase) decrease in deferred charges	0	0
(Increase) decrease in other assets	-1,081	0
Increase (decrease) in accounts payable	10,384	0
Increase (decrease) in accrued liabilities	0	0
Increase (decrease) in deferred revenues	13,708	0
Increase (decrease) in other liabilities	<u>-3,239</u>	<u>0</u>
Net Cash provided (Used) by Operating Activities	<u>\$ 76,231</u>	<u>\$ 0</u>

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## Report on Compliance and on Internal Control Over Financial Reporting 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, 2006, and have issued my report thereon dated May 22, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the 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 grants, 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 that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Peru Housing Authority's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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 June 20, 2007.

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.

Decatur, Illinois  
June 20, 2007

  
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, 2006. 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, 2006.

### 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.

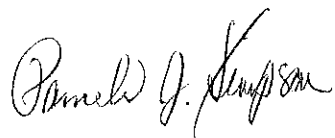
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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. I have audited the financial statements of Peru Housing Authority as of and for the year ended December 31, 2006, and have issued my report thereon dated June 20, 2007. My audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. 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 material respects, in relation to the financial statements taken as a whole.

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 June 20, 2007.

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  
June 20, 2007

  
Certified Public Accountant

**PERU HOUSING AUTHORITY  
PERU, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**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

\* Reportable condition(s) 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

\* Reportable condition(s) 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**

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended December 31, 2005 contained no findings.

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**PERU HOUSING AUTHORITY  
PERU, INDIANA**

**CURRENT FINDINGS AND RECOMMENDATIONS**

There were no audit findings discussed with Shirley Foreman, Executive Director, during the course of the audit or at an exit conference held May 22, 2007.

**PERU HOUSING AUTHORITY  
PERU, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
DECEMBER 31, 2006**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Accounts receivable - VO	1295.02	\$ 1,875.60		1295.02
Other admin & sundry	4190		\$ 1,875.60	2810.512
(To correct posting of refund due to overpayment. Refund received 12/06)				
(2)				
Prepaid service agreement	----	\$ 583.32		----
Sundry	4190		\$ 291.66	2810.512
Rec, pub & other	4220		291.66	2810.512
(To set up prepaid service contract - check #12131 for 1 year contract)				
(3)				
Prepaid service agreement	----	\$ 1,261.67		----
Sundry	4190		\$ 1,261.67	2810.512
(To set up prepaid maintenance contract - check #12269 for 1 year contract)				
(4)				
Travel	4150	\$ 533.21		2810.512
Maintenance materials	4420		\$ 533.21	2810.512
(To reclassify reimbursement for gasoline received from Voucher program)				
(5)				
Water	4310	\$ 1,468.95		2810.512
Other - sewer	4390		\$ 1,468.95	2810.512
(To correct JV3056 reversing 12/31/05 accounts payable entry)				
(6)				
Insurance expense	4510	\$ 365.67		2810.512
Prepaid insurance	1211		\$ 365.67	1211
(To adjust prepaid insurance - workers comp and flood insurance)				
(7)				
Interfund - VO	1295.02	\$ 9,399.00		1295.02
Other charges for services	3440		\$ 250.00	2810.512
Administrative salaries	4110		5,645.00	2810.512
Staff training	4140		11.75	2810.512
Travel	4150		39.59	2810.512
Employee benefit contribution	4182		2,820.99	2810.512
Other admin & sundry	4190		72.00	2810.512
Telephone	4191		146.54	2810.512
Maintenance labor	4410		282.54	2810.512
Employee benefit contrib. main.	4433		130.59	2810.512
(To correct accounts payable - vendor for VO to interfund transaction)				

**PERU HOUSING AUTHORITY  
PERU, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
DECEMBER 31, 2006**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Other admin & sundry	4190	\$ 1,875.60		2810.002
Accounts payable - LR	1295.01		\$ 1,875.60	1295.01
(To correct posting of refund received 12/06)				
(2)				
Accounts payable - vendors	2111	\$ 9,399.00		2111
Interfund - LR	1295.01		\$ 9,399.00	1295.01
(To reclassify accounts payable - vendors to an interfund transactions)				

## PHA: IN091 FYED: 12/31/2006

Line Item No.	Account Description	Multifamily Housing Service Coordinators	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	\$0	\$314,853	\$191,083	\$0	\$505,936
113	Cash - Other Restricted	\$0	\$0	\$27,579	\$0	\$27,579
114	Cash - Tenant Security Deposits	\$0	\$28,035	\$0	\$0	\$28,035
100	Total Cash	\$0	\$342,888	\$218,662	\$0	\$561,550
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$0	\$20,099	\$20,099
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$323	\$0	\$0	\$323
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	\$0	\$0	\$0
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0
128	Fraud Recovery	\$0	\$0	\$16,712	\$0	\$16,712
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$-16,712	\$0	\$-16,712
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$323	\$0	\$20,099	\$20,422
142	Prepaid Expenses and Other Assets	\$0	\$4,623	\$0	\$0	\$4,623
143	Inventories	\$0	\$832	\$1,081	\$0	\$1,913
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	\$0	\$0
144	Interprogram Due From	\$630	\$85,839	\$0	\$0	\$86,469
150	Total Current Assets	\$630	\$434,505	\$219,743	\$20,099	\$674,977
161	Land	\$0	\$609,137	\$0	\$0	\$609,137
162	Buildings	\$0	\$3,670,750	\$0	\$0	\$3,670,750
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$69,058	\$0	\$34,505	\$103,563
164	Furniture, Equipment & Machinery - Administration	\$0	\$168,708	\$52,272	\$0	\$220,980
165	Leasehold Improvements	\$0	\$93,901	\$0	\$0	\$93,901
166	Accumulated Depreciation	\$0	\$-1,963,875	\$-22,216	\$-1,851	\$-1,987,942
167	Construction In Progress	\$0	\$0	\$0	\$124,280	\$124,280
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$2,647,679	\$30,056	\$156,934	\$2,834,669
180	Total Non-Current Assets	\$0	\$2,647,679	\$30,056	\$156,934	\$2,834,669
190	Total Assets	\$630	\$3,082,184	\$249,799	\$177,033	\$3,509,646

PHA: IN091 FYED: 12/31/2006

Line Item No.	Account Description	Multifamily Housing Service Coordinators	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
312	Accounts Payable <= 90 Days	\$0	\$6,178	\$0	\$0	\$6,178
333	Accounts Payable - Other Government	\$0	\$18,127	\$0	\$0	\$18,127
341	Tenant Security Deposits	\$0	\$28,035	\$0	\$0	\$28,035
347	Interprogram Due To	\$0	\$0	\$66,370	\$20,099	\$86,469
310	Total Current Liabilities	\$0	\$52,340	\$66,370	\$20,099	\$138,809
353	Noncurrent Liabilities - Other	\$0	\$0	\$27,579	\$0	\$27,579
350	Total Noncurrent Liabilities	\$0	\$0	\$27,579	\$0	\$27,579
300	Total Liabilities	\$0	\$52,340	\$93,949	\$20,099	\$166,388
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$2,647,679	\$30,056	\$156,934	\$2,834,669
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$630	\$382,165	\$125,794	\$0	\$508,589
513	Total Equity/Net Assets	\$630	\$3,029,844	\$155,850	\$156,934	\$3,343,258
600	Total Liabilities and Equity/Net Assets	\$630	\$3,082,184	\$249,799	\$177,033	\$3,509,646

PHA: IN091 FYED: 12/31/2006

Line Item No.	Account Description	Multifamily Housing Service Coordinators	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
703	Net Tenant Rental Revenue	\$0	\$227,572	\$0	\$0	\$227,572
704	Tenant Revenue - Other	\$0	\$2,318	\$0	\$0	\$2,318
705	Total Tenant Revenue	\$0	\$229,890	\$0	\$0	\$229,890
706	HUD PHA Operating Grants	\$33,849	\$101,181	\$864,318	\$2,000	\$1,001,348
706.1	Capital Grants	\$0	\$0	\$0	\$138,347	\$138,347
711	Investment Income - Unrestricted	\$0	\$10,782	\$5,379	\$0	\$16,161
714	Fraud Recovery	\$0	\$0	\$4,736	\$0	\$4,736
715	Other Revenue	\$0	\$7,318	\$417	\$0	\$7,735
716	Gain/Loss on Sale of Fixed Assets	\$0	\$-2,160	\$0	\$0	\$-2,160
720	Investment Income - Restricted	\$0	\$0	\$0	\$0	\$0
700	Total Revenue	\$33,849	\$347,011	\$874,850	\$140,347	\$1,396,057

PHA: IN091 FYED: 12/31/2006

Line Item No.	Account Description	Multifamily Housing Service Coordinators	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
911	Administrative Salaries	\$20,210	\$72,129	\$54,243	\$0	\$146,582
912	Auditing Fees	\$0	\$2,006	\$1,500	\$0	\$3,506
915	Employee Benefit Contributions - Administrative	\$13,009	\$21,282	\$21,381	\$0	\$55,672
916	Other Operating - Administrative	\$0	\$17,342	\$15,434	\$2,000	\$34,776
921	Tenant Services - Salaries	\$0	\$3,700	\$0	\$0	\$3,700
924	Tenant Services - Other	\$0	\$2,239	\$0	\$0	\$2,239
931	Water	\$0	\$5,771	\$0	\$0	\$5,771
932	Electricity	\$0	\$21,098	\$0	\$0	\$21,098
938	Other Utilities Expense	\$0	\$19,326	\$0	\$0	\$19,326
941	Ordinary Maintenance and Operations - Labor	\$0	\$71,129	\$2,119	\$0	\$73,248
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$9,195	\$0	\$0	\$9,195
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$6,886	\$0	\$0	\$6,886
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$19,854	\$981	\$0	\$20,835
961	Insurance Premiums	\$0	\$34,633	\$0	\$0	\$34,633
963	Payments in Lieu of Taxes	\$0	\$18,127	\$0	\$0	\$18,127
964	Bad Debt - Tenant Rents	\$0	\$396	\$0	\$0	\$396
969	Total Operating Expenses	\$33,219	\$325,113	\$95,658	\$2,000	\$455,990
970	Excess Operating Revenue over Operating Expenses	\$630	\$21,898	\$779,192	\$138,347	\$940,067
971	Extraordinary Maintenance	\$0	\$4,208	\$0	\$0	\$4,208
973	Housing Assistance Payments	\$0	\$0	\$703,646	\$0	\$703,646
974	Depreciation Expense	\$0	\$138,128	\$4,857	\$1,851	\$144,836
900	Total Expenses	\$33,219	\$467,449	\$804,161	\$3,851	\$1,308,680
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$630	\$-120,438	\$70,689	\$136,496	\$87,377

PHA: IN091 FYED: 12/31/2006

Line Item No.	Account Description	Multifamily Housing Service Coordinators	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$0	\$3,039,044	\$85,161	\$131,676	\$3,255,881
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$111,238	\$0	\$-111,238	\$0
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0	\$0	\$0
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$0	\$0	\$0
1116	Total Annual Contributions Available	\$0	\$0	\$0	\$0	\$0
1120	Unit Months Available	0	1,236	2,544	0	3,780
1121	Number of Unit Months Leased	0	1,230	2,294	0	3,524
1117	Administrative Fee Equity	\$0	\$0	\$87,073	\$0	\$87,073
1118	Housing Assistance Payments Equity	\$0	\$0	\$68,777	\$0	\$68,777

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