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May 29, 2014

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

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period January 1, 2012 to December 31, 2012. 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, 2012 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, 2012

**PERU HOUSING AUTHORITY
PERU, INDIANA**

TABLE OF CONTENTS

Auditor's Report	1
Management's Discussion and Analysis	3
FINANCIAL STATEMENTS	
Statement of Net Position as of December 31, 2012	7
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds - Twelve Months Ended December 31, 2012	8
Statement of Cash Flows - Twelve Months Ended December 31, 2012	9
Notes to Financial Statements	11
SUPPLEMENTAL DATA	
Schedule of Federal Financial Assistance	23
Independent Auditor's 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	24
Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133 ..	26
Status of Prior Audit Findings	28
Schedule of Findings and Questioned Costs - Summary	29
Current Findings and Recommendations	30
Schedule of Adjusting Journal Entries	31
Financial Data Schedule - REAC Electronic Submission	32



Independent Auditor's Report

Board of Directors
Peru Housing Authority
Peru, Indiana

I have audited the accompanying financial statements of the Peru Housing Authority, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Peru Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Peru Housing Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Peru Housing Authority's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Peru Housing Authority, as of December 31, 2012 and the changes in its net position and its cash flows for the year end in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures on the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

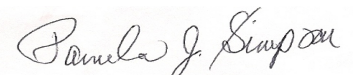
Report on Supplemental Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Peru Housing Authority's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments and None-Profit Organizations*, and is not a required part of the financial statements. Further, the financial data schedules shown on pages 32 to 36 are presented for purposes of additional analysis as required by *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, and are not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the above described supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

Report Issued in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated July 11, 2013 on my consideration of the Peru Housing Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of a *Government Auditing Standards* and should be considered in assessing the results of my audit.



Certified Public Accountant

Decatur, Illinois
July 11, 2013

**HOUSING AUTHORITY OF THE CITY OF PERU
PERU, INDIANA**

**MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING DECEMBER 31, 2012**

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, 2012. 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 7.

FINANCIAL HIGHLIGHTS:

- The assets of the PHA exceed its liabilities as of December 31, 2012 by \$3,366,759 (Net Position).
- The PHA's net investment in Capital Assets as of December 31, 2012 was \$2,769,749.
- The PHA's total revenue for the fiscal year end December 31, 2012 was \$1,431,554.
- The PHA's total expenses for the fiscal year end December 31, 2012 were \$1,805,006.
- Therefore; the PHA's total combined expense exceeded its total combined revenue by \$373,452

OVERVIEW OF THE FINANCIAL STATEMENTS:

The following financial statements are included in this report:

- *Statement of Net Position* - 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 position 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, 2012**

ANALYSIS OF FINANCIAL STATEMENTS:

STATEMENT OF NET POSITION

	<u>2012</u>	<u>2011</u>	<u>INCREASE (DECREASE)</u>
Cash and investments	\$ 678,456	\$ 991,803	(313,347)
Other current assets	23,013	17,113	5,900
Capital assets	<u>2,769,749</u>	<u>2,831,651</u>	<u>(61,902)</u>
TOTAL ASSETS	<u>\$ 3,471,218</u>	<u>\$ 3,840,567</u>	<u>\$ (369,349)</u>
Deferred Outflows of Resources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
TOTAL	<u>\$ 3,471,218</u>	<u>\$ 3,840,567</u>	<u>\$ (369,349)</u>
Current liabilities	\$ 58,107	\$ 81,074	\$ (22,967)
Non-Current liabilities	<u>23,114</u>	<u>19,282</u>	<u>3,832</u>
TOTAL LIABILITIES	<u>\$ 81,221</u>	<u>\$ 100,356</u>	<u>\$ (19,135)</u>
Deferred Inflows of Resources	<u>\$ 23,238</u>	<u>\$ 0</u>	<u>\$ 23,238</u>
Net Investment in capital assets	\$ 2,769,749	\$ 2,831,651	\$ (61,902)
Restricted	56,264	262,466	(206,202)
Unrestricted	<u>540,746</u>	<u>646,094</u>	<u>(105,348)</u>
TOTAL NET POSITION	<u>\$ 3,366,759</u>	<u>\$ 3,740,211</u>	<u>\$ (373,452)</u>
TOTAL	<u>\$ 3,471,218</u>	<u>\$ 3,840,567</u>	<u>\$ (369,349)</u>

The decrease in cash and investments is due to decrease in government grants.

The increase in other current assets is due to a increase in fraud recovery receivables and prepaid expenses.

The decrease in capital assets is due to current year depreciation and capital fund additions.

The decrease in restricted net position is due to the reduction of the restricted cash in the HAP account, and using up HAP reserves.

The decrease in unrestricted net position is due to the current year loss.

**HOUSING AUTHORITY OF THE CITY OF PERU
PERU, INDIANA**

**MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING DECEMBER 31, 2012**

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

	YEAR ENDING December 31, 2012		INCREASE (DECREASE)
	<u>2012</u>	<u>2011</u>	
REVENUE			
Tenant revenue	\$ 298,311	\$ 294,780	\$ 3,531
HUD operating and capital grants	816,441	1,151,239	(334,798)
Other government grants	290,553	255,878	34,675
Interest	7,565	9,105	(1,540)
Other revenue	6,646	21,451	(14,805)
Gain/loss on sale of capital assets	(1,438)	(859)	(579)
Fraud recovery	<u>13,476</u>	<u>7,996</u>	<u>5,480</u>
TOTAL REVENUE	<u>\$ 1,431,554</u>	<u>\$ 1,739,590</u>	<u>\$ (308,036)</u>
EXPENSES			
Administrative expenses	\$ 307,458	\$ 289,657	\$ 17,801
Tenant services	2,087	2,121	(34)
Utilities	43,204	44,981	(1,777)
Ordinary maintenance	148,951	155,198	(6,247)
General expenses	82,785	78,739	4,046
Housing assistance payments	1,017,639	989,175	28,464
Extraordinary maintenance	1,817	1,265	552
Depreciation	<u>201,065</u>	<u>196,990</u>	<u>4,075</u>
TOTAL EXPENSES	<u>\$ 1,805,006</u>	<u>\$ 1,758,126</u>	<u>\$ 46,880</u>
EXCESS OF EXPENSES OVER REVENUE	<u>\$ (373,452)</u>	<u>\$ (18,536)</u>	

The decrease in HUD operating and capital grants is due to a decrease in Capital Fund draws and the amount of Operating Subsidy received.

The increase in administrative expenses is due to an increase in employee benefits.

The increase in general expenses is due to higher premiums paid for insurance.

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

**HOUSING AUTHORITY OF THE CITY OF PERU
PERU, INDIANA**

**MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING DECEMBER 31, 2012**

SIGNIFICANT TRANSACTIONS

None.

BUDGETARY HIGHLIGHTS

Low-Rent Public Housing (Operations Only)

CAPITAL ASSETS & LONG-TERM DEBT ACTIVITY DURING THE YEAR

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

- Low Rent Program: Beckley Copier
- Voucher – 2 HP Desktop Computers

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 POSITION - PROPRIETARY FUNDS
AS OF DECEMBER 31, 2012**

ASSETS

Cash and cash equivalents	\$ 173,904
Receivables (net) - interfund eliminated	11,962
Investments	504,552
Inventory	3,892
Prepaid expenses	7,159

Capital assets:

Land, improvements and construction in progress	\$ 739,872
Other capital assets, net of depreciation	<u>2,029,877</u>

Total Capital Assets \$ 2,769,749

Total Assets \$ 3,471,218

DEFERRED OUTFLOWS OF RESOURCES \$ 0

TOTAL \$ 3,471,218

LIABILITIES

Accounts payable (interfund eliminated)	\$ 31,795
Other liabilities	26,312
Unearned revenue	1

Noncurrent liabilities:

FSS escrow	<u>23,114</u>
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Total Liabilities \$ 81,222

DEFERRED INFLOWS OF RESOURCES (Note 15) \$ 23,237

NET POSITION

Net investment in capital assets	\$ 2,769,749
Restricted	56,264
Unrestricted	<u>540,746</u>

Total Net Position \$ 3,366,759

TOTAL \$ 3,471,218

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2012**

Operating Income

Tenant rental revenue	\$ 288,756
Tenant revenue - other	<u>9,555</u>
 Total Rental Income	 \$ 298,311
 HUD grants - operating	 686,869
Other government grants	290,553
Fraud recovery	13,476
Other revenue	6,646
Gain (loss) on sale of fixed assets	<u>-1,438</u>
 Total Operating Income	 <u>\$ 1,294,417</u>

Operating Expenses

Administration	\$ 307,458
Tenant services	2,087
Utilities	43,204
Ordinary maintenance and operation	148,951
General expense	82,785
Extraordinary maintenance	1,817
Housing assistance payments	1,017,639
Depreciation	<u>201,065</u>
 Total Operating Expenses	 <u>\$ 1,805,006</u>
 Net Operating Income (Loss)	 \$ -510,589

Nonoperating Income (Expense)

Interest income	7,565
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Capital Contributions

Capital fund grants	<u>129,572</u>
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Changes in net position	\$ -373,452
Net position, beginning of year	<u>3,740,211</u>
 Net position, end of year	 <u><u>\$ 3,366,759</u></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, 2012**

Operating Activities

Operating grants	\$ 977,060
Tenant revenue	298,157
Other revenue	18,684
Housing assistance payments	-1,017,639
Payments to employees	-252,290
Payments to suppliers and contractors	<u>-335,293</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -311,321</u>

Investing Activities

Investments (purchased) redeemed	\$ -7,394
Interest income	<u>7,565</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 171</u>

Capital and Related Financing Activities

Capital fund grants	\$ 129,572
Additions (deletions) to fixed assets	<u>-139,163</u>
Net Cash Provided (Used) by Financing Activities	<u>\$ -9,591</u>

Net Change in Cash	\$ -320,741
Cash Balance at December 31, 2011	<u>494,645</u>
Cash Balance at December 31, 2012	<u><u>\$ 173,904</u></u>

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2012**

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

Net operating income (loss)	\$ -510,589
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	201,065
(Increase) decrease in accounts receivable	-4,655
(Increase) decrease in prepaid expenses	-502
(Increase) decrease in inventories	-743
Increase (decrease) in account payable	21
Increase (decrease) in other liabilities	2,375
Increase (decrease) in unearned revenues	-25,362
Increase (decrease) in FSS escrow	3,832
Increase (decrease) in deferred inflows	<u>23,237</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -311,321</u>

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2012**

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, 2012
(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
- * Housing Choice Vouchers
- * Capital Fund Program
- * 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 Net Investment in Capital Assets, Restricted and Unrestricted.

(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) Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. These receivables and payables are classified as "due from other programs" or "due to other programs" on the combining statement of net position and have been eliminated in the basic financial statements.

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2012
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at December 31, 2012, 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.

(h) Inventories and Materials -

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

(i) Investments -

Investments are stated at cost which approximates market.

(j) 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, 2012
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(k) Net Position -

GASB Statement 63 requires the classification of net position into three components as defined below:

- 1) Net investment in capital assets - capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt and deferred inflows of resources related to the acquisition, construction or improvement of those assets.
- 2) Restricted - restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- 3) Unrestricted - amounts not required to be reported in the other components of net position.

(l) Income Tax -

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

(m) 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.

- (n) 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.
- (o) 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.
- (p) 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.

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2012
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (q) Rental income is recognized as rents become due.
- (r) 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, 2012
(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	\$ 42,476	\$ 52,281
Voucher	106,556	107,160
State and Local	<u>24,872</u>	<u>25,242</u>
Total	<u>\$ 173,904</u>	<u>\$ 184,683</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>\$ 504,552</u>	<u>\$ 504,552</u>

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2012
(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) administered by Wells Fargo Bank. The PHA shall provide a contribution equal to 10% of the gross annual wages of the employee. For the fiscal year ended December 31, 2012, actual contributions by the Housing Authority and plan participants were \$25,394 related to salary and wages of \$254,045 paid during the year.

Note 5 - Post-Employment Benefits

The Housing Authority does not provide post employment retirement benefits. As a result there are no disclosures included in these statements as required by GASB 45.

Note 6 - Accounts Receivable

Accounts receivable consists of the following accounts:

Accounts receivable - miscellaneous	\$ 325
Accounts receivable - tenants	269
Fraud recovery	15,404
Allowance for doubtful accounts - fraud	<u>-4,036</u>
Subtotal	\$ 11,962
Interfund	<u>28,040</u>
Total	<u>\$ 40,002</u>

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2012
(CONTINUED)**

Note 7 - Investments

At December 31, 2012 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	0.10-1.10%	\$ 504,552	\$ 504,552

Note 8 - Prepaid Expenses

This classification includes the following accounts:

Prepaid insurance	\$ 2,697
Prepaid expenses	<u>4,462</u>
Total	<u>\$ 7,159</u>

Note 9 - Capital Assets

Balance as of December 31, 2012	\$ 2,769,749
Balance as of December 31, 2011	<u>2,831,651</u>
Net Increase (Decrease)	<u>\$ -61,902</u>

Reconciliation

Betterments and additions	\$ 129,573
Disposed	-1,438
Replacement of equipment	11,028
Current year depreciation expense	<u>-201,065</u> *
Net Increase (Decrease)	<u>\$ -61,902</u>

Analysis

	<u>01/01/2012 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>12/31/2012 Balance</u>
Land	\$ 609,137	\$ 0	\$ 0	\$ 609,137
Buildings	4,445,192	164,906	0	4,610,098
Equipment and furniture	369,087	11,028	14,180	365,935
Leasehold improvements	164,906	0	164,906	0
Construction in progress	<u>1,162</u>	<u>129,573</u>	<u>0</u>	<u>130,735</u>
Total	\$ 5,589,484	\$ 305,507	\$ 179,086	\$ 5,715,905
Accumulated depreciation	<u>-2,757,833</u>	<u>12,742</u>	<u>201,065</u> *	<u>-2,946,156</u>
Total	<u>\$ 2,831,651</u>	<u>\$ 318,249</u>	<u>\$ 380,151</u>	<u>\$ 2,769,749</u>

*Current year depreciation expense recognized.

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2012
(CONTINUED)**

Note 10 - Accounts Payable

This classification includes the following accounts:

Accounts payable - HUD internet	\$ 129
Tenants security deposits	<u>31,666</u>
Subtotal	\$ 31,795
Interfund	<u>28,040</u>
Total	<u>\$ 59,835</u>

Note 11 - 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 12 - Other Liabilities

Accrued liabilities consists of the following:

Current Portion:

Wages/payroll taxes payable	\$ 1,755
Payment in lieu of taxes	<u>24,557</u>
Total	<u>\$ 26,312</u>

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2012
(CONTINUED)**

Note 13 - Summary of Long Term Liabilities

A summary of long term liabilities as of December 31, 2012:

	01/01/2012			12/31/2012
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
FSS escrow	\$ 19,282	\$ 3,832	\$ 0	\$ 23,114

Note 14 - Unearned Revenue

This classification consists of the following:

Prepaid rents	<u>\$ 1</u>
---------------	-------------

Note 15 - Deferred Inflows of Resources

IHCDA - subsidy	<u>\$ 23,237</u>
-----------------	------------------

Note 16 - Administrative Fee

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

Note 17 - 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 18 - 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, 2012
(CONTINUED)**

Note 19 - Contracts/Commitments

As of December 31, 2012, the Housing Authority had entered into the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended To Date</u>
CFP 501-10	\$ 135,975	\$ 134,607
CFP 501-11	117,318	32,939
CFP 501-12	<u>105,180</u>	<u>6,457</u>
Total	<u>\$ 358,473</u>	<u>\$ 174,003</u>

Note 20 - 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 21 - Economic Dependency

The Housing Authority received most of its revenue (66%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

Note 22 - Restricted Net Position

Restricted net position is restricted for the following:

HAP	<u>\$ 56,264</u>
-----	------------------

SUPPLEMENTAL DATA

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**SCHEDULE OF EXPENDABLE FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012**

<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:						
			FYE			
Public and Indian Housing	14.850a	C-2076	12/31/12	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
			FYE			
Capital Funds Program	14.872	C-2076	12/31/12	\$ <u>358,473</u>	\$ <u>136,972</u>	\$ <u>136,972</u>
			FYE			
Housing Choice Voucher Program*	14.871	C-2076V	12/31/12	\$ <u>679,469</u>	\$ <u>679,469</u>	\$ <u>679,469</u>
<u>Flow Through</u>						
			FYE			
IHCDA	14.871	N/A	12/31/12	\$ <u>290,553</u>	\$ <u>290,553</u>	\$ <u>290,553</u>
Total Housing Assistance				\$ <u>1,328,495</u>	\$ <u>1,106,994</u>	\$ <u>1,106,994</u>

*Denotes major program.



**Independent Auditor's 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 in accordance with the 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, the financial statements of the Peru Housing Authority, which comprise the statement of net position as of December 31, 2012, and the related statements of changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Peru Housing Authority's basic financial statements and have issued my report thereon dated July 11, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Peru Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Peru Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the Peru Housing Authority's internal control.

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 Peru Housing Authority's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

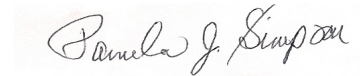
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Peru Housing Authority's financial statements are free from 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 I reported to the management of the Peru Housing Authority in a separate letter dated July 11, 2013.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Peru Housing Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Peru Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountant

Decatur, Illinois
July 11, 2013



**Independent Auditor's Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance Required by OMB Circular A-133**

Board of Commissioners
Peru Housing Authority
Peru, Indiana

Report on Compliance for Each Major Program

I have audited the Peru Housing Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, that could have a direct and material effect on each of the Peru Housing Authority's major federal programs for the year ended December 31, 2012. The 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Peru Housing Authority's major federal programs based on my audit of the types of compliance requirements referred to above. 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 (OMB Circular A-133)*. 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 material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major program. However, my audit does not provide a legal determination of the Peru Housing Authority's compliance.

Opinion on Each Major Program

In my opinion, the Peru Housing Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Other Matters

The results of my auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with *OMB Circular A-133*.

I noted certain matters that I reported to the management of the Peru Housing Authority in a separate letter dated July 11, 2013.

Report on Internal Control Over Compliance

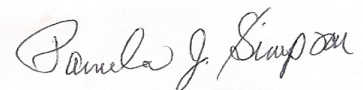
Management of the Peru Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Peru Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program 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 the Peru Housing Authority's internal control over compliance.

A deficiency in 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 and correct, noncompliance with a type of compliance requirements 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 will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a *material weakness* in internal control over compliance, yet important enough to merit the attention by those charged with governance.

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 *material weaknesses* or *significant deficiencies*. I did not identify any deficiencies in internal control over compliance that I consider to be *material weaknesses*, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of my testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

Decatur, Illinois
July 11, 2013



Certified Public Accountant

**PERU HOUSING AUTHORITY
PERU, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended December 31, 2011 contained no findings.

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2012**

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 July 11, 2013.

Section III - Federal Awards Findings

There were no audit findings discussed with Shirley Foreman, Executive Director, during the course of the audit or at an exit conference held July 11, 2013.

**PERU HOUSING AUTHORITY
PERU, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
DECEMBER 31, 2012**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Admin wages	4110		\$ 6,388.57	2810.512
Maintenance wages	4410		3,612.00	2810.512
Compensated absence expense	4595	\$ 10,000.57		2810.512
(To reclassify earned portion of compensated absence expense)				
(2)				
Liability insurance	4510.03	\$ 6,269.58		2810.512
Work comp insurance	4510.01	1,155.50		2810.512
Property insurance	4510.02		\$ 3,012.54	2810.512
Other insurance	4510		2,479.24	2810.512
Prepaid insurance	1211		1,933.30	1211
(To adjust insurance to actual)				
<u>Voucher</u>				
(1)				
Admin wages	4110		\$ 3,954.39	2810.002
Maintenance wages	4410		56.00	2810.002
Compensated absence expense	4595	\$ 4,010.39		2810.002
(To reclassify earned portion of compensated absence expense)				
(2)				
Interest income - HUD	3430	\$ 129.21		2810.001
Accounts payable - HUD	2118		\$ 129.21	2118
(To record accounts payable - HUD for interest income per HUD notice)				
(3)				
Liability insurance	4510.03	\$ 496.07		2810.002
Other insurance	4510.02	34.68		2810.002
Work comp insurance	4510.01		\$ 442.21	2810.002
Prepaid insurance	1211		88.54	1211
(To adjust prepaid insurance to actual)				
<u>State and Local</u>				
(1)				
State HAP	3410.101	\$ 2,937.00		2810.112
State admin fee	3410.100	120.00		2810.111
Other unearned revenue - State	2291		\$ 3,057.00	2291
(To reverse prior year adjusting journal entry and correct JV5007)				

Housing Authority of the City of Peru (IN091)

PERU, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2012

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$10,809	\$27,178	\$1,635	\$39,622		\$39,622
112 Cash - Restricted - Modernization and Development						
113 Cash - Other Restricted		\$79,378	\$23,237	\$102,615		\$102,615
114 Cash - Tenant Security Deposits	\$31,666			\$31,666		\$31,666
115 Cash - Restricted for Payment of Current Liabilities	\$1			\$1		\$1
100 Total Cash	\$42,476	\$106,556	\$24,872	\$173,904	\$0	\$173,904
121 Accounts Receivable - PHA Projects						
122 Accounts Receivable - HUD Other Projects						
124 Accounts Receivable - Other Government						
125 Accounts Receivable - Miscellaneous	\$0	\$325		\$325		\$325
126 Accounts Receivable - Tenants	\$269			\$269		\$269
126.1 Allowance for Doubtful Accounts - Tenants	\$0			\$0		\$0
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current						
128 Fraud Recovery		\$15,404		\$15,404		\$15,404
128.1 Allowance for Doubtful Accounts - Fraud		-\$4,036		-\$4,036		-\$4,036
129 Accrued Interest Receivable						
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$269	\$11,693	\$0	\$11,962	\$0	\$11,962
131 Investments - Unrestricted	\$504,552			\$504,552		\$504,552
132 Investments - Restricted						
135 Investments - Restricted for Payment of Current Liability						
142 Prepaid Expenses and Other Assets	\$4,328	\$2,831		\$7,159		\$7,159
143 Inventories	\$3,234	\$658		\$3,892		\$3,892
143.1 Allowance for Obsolete Inventories	\$0	\$0		\$0		\$0
144 Inter Program Due From	\$13,983	\$14,057		\$28,040	-\$28,040	\$0
145 Assets Held for Sale						
150 Total Current Assets	\$568,842	\$135,795	\$24,872	\$729,509	-\$28,040	\$701,469
161 Land	\$609,137			\$609,137		\$609,137
162 Buildings	\$4,610,098			\$4,610,098		\$4,610,098
163 Furniture, Equipment & Machinery - Dwellings	\$144,607			\$144,607		\$144,607
164 Furniture, Equipment & Machinery - Administration	\$168,542	\$52,786		\$221,328		\$221,328
165 Leasehold Improvements						
166 Accumulated Depreciation	-\$2,898,760	-\$47,396		-\$2,946,156		-\$2,946,156
167 Construction in Progress	\$130,735			\$130,735		\$130,735
168 Infrastructure						
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,764,359	\$5,390	\$0	\$2,769,749	\$0	\$2,769,749
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	\$2,764,359	\$5,390	\$0	\$2,769,749	\$0	\$2,769,749
190 Total Assets	\$3,333,201	\$141,185	\$24,872	\$3,499,258	-\$28,040	\$3,471,218

Housing Authority of the City of Peru (IN091)

PERU, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2012

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
311 Bank Overdraft						
312 Accounts Payable <= 90 Days						
313 Accounts Payable >90 Days Past Due						
321 Accrued Wage/Payroll Taxes Payable	\$1,755			\$1,755		\$1,755
322 Accrued Compensated Absences - Current Portion						
324 Accrued Contingency Liability						
325 Accrued Interest Payable						
331 Accounts Payable - HUD PHA Programs		\$129		\$129		\$129
332 Account Payable - PHA Projects						
333 Accounts Payable - Other Government	\$24,557			\$24,557		\$24,557
341 Tenant Security Deposits	\$31,666			\$31,666		\$31,666
342 Deferred Revenues	\$1		\$23,237	\$23,238		\$23,238
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						
347 Inter Program - Due To		\$13,983	\$14,057	\$28,040	-\$28,040	\$0
348 Loan Liability - Current						
310 Total Current Liabilities	\$57,979	\$14,112	\$37,294	\$109,385	-\$28,040	\$81,345
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		\$23,114		\$23,114		\$23,114
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	\$23,114	\$0	\$23,114	\$0	\$23,114
300 Total Liabilities	\$57,979	\$37,226	\$37,294	\$132,499	-\$28,040	\$104,459
508.1 Invested In Capital Assets, Net of Related Debt	\$2,764,359	\$5,390	\$0	\$2,769,749		\$2,769,749
511.1 Restricted Net Assets	\$0	\$56,264		\$56,264		\$56,264
512.1 Unrestricted Net Assets	\$510,863	\$42,305	-\$12,422	\$540,746		\$540,746
513 Total Equity/Net Assets	\$3,275,222	\$103,959	-\$12,422	\$3,366,759	\$0	\$3,366,759
600 Total Liabilities and Equity/Net Assets	\$3,333,201	\$141,185	\$24,872	\$3,499,258	-\$28,040	\$3,471,218

Housing Authority of the City of Peru (IN091)

PERU, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2012

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$288,756			\$288,756		\$288,756
70400 Tenant Revenue - Other	\$9,555			\$9,555		\$9,555
70500 Total Tenant Revenue	\$298,311	\$0	\$0	\$298,311	\$0	\$298,311
70600 HUD PHA Operating Grants	\$7,400	\$679,469		\$686,869		\$686,869
70610 Capital Grants	\$129,572			\$129,572		\$129,572
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			\$290,553	\$290,553		\$290,553
71100 Investment Income - Unrestricted	\$7,526	\$30	\$9	\$7,565		\$7,565
71200 Mortgage Interest Income						
71300 Proceeds from Disposition of Assets Held for Sale						
71310 Cost of Sale of Assets						
71400 Fraud Recovery		\$13,476		\$13,476		\$13,476
71500 Other Revenue	\$3,858	\$2,788		\$6,646		\$6,646
71600 Gain or Loss on Sale of Capital Assets	-\$719	-\$719		-\$1,438		-\$1,438
72000 Investment Income - Restricted		\$0		\$0		\$0
70000 Total Revenue	\$445,948	\$695,044	\$290,562	\$1,431,554	\$0	\$1,431,554
91100 Administrative Salaries	\$88,057	\$47,582	\$27,905	\$163,544		\$163,544
91200 Auditing Fees	\$2,777	\$1,600	\$400	\$4,777		\$4,777
91300 Management Fee						
91310 Book-keeping Fee						
91400 Advertising and Marketing	\$94			\$94		\$94
91500 Employee Benefit contributions - Administrative	\$40,493	\$56,583		\$97,076		\$97,076
91600 Office Expenses	\$16,295	\$5,271	\$2,542	\$24,108		\$24,108
91700 Legal Expense						
91800 Travel	\$1,057			\$1,057		\$1,057
91810 Allocated Overhead						
91900 Other	\$8,417	\$7,785	\$600	\$16,802		\$16,802
91000 Total Operating - Administrative	\$157,190	\$118,821	\$31,447	\$307,458	\$0	\$307,458
92000 Asset Management Fee						
92100 Tenant Services - Salaries						
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services						
92400 Tenant Services - Other	\$2,087			\$2,087		\$2,087
92500 Total Tenant Services	\$2,087	\$0	\$0	\$2,087	\$0	\$2,087

Housing Authority of the City of Peru (IN091)

PERU, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2012

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
93100 Water	\$3,176			\$3,176		\$3,176
93200 Electricity	\$21,248			\$21,248		\$21,248
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	\$43,204	\$0	\$0	\$43,204	\$0	\$43,204
94100 Ordinary Maintenance and Operations - Labor	\$72,945	\$1,469		\$74,414		\$74,414
94200 Ordinary Maintenance and Operations - Materials and Other	\$13,754		\$1,196	\$14,950		\$14,950
94300 Ordinary Maintenance and Operations Contracts	\$9,302			\$9,302		\$9,302
94500 Employee Benefit Contributions - Ordinary Maintenance	\$48,566	\$1,719		\$50,285		\$50,285
94000 Total Maintenance	\$144,567	\$3,188	\$1,196	\$148,951	\$0	\$148,951
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
96110 Property Insurance	\$21,472			\$21,472		\$21,472
96120 Liability Insurance	\$6,270	\$496	\$527	\$7,293		\$7,293
96130 Workmen's Compensation	\$3,396	\$1,178		\$4,574		\$4,574
96140 All Other Insurance	\$5,950	\$640	\$169	\$6,759		\$6,759
96100 Total Insurance Premiums	\$37,088	\$2,314	\$696	\$40,098	\$0	\$40,098
96200 Other General Expenses		\$467		\$467		\$467
96210 Compensated Absences	\$10,416	\$5,671		\$16,087		\$16,087
96300 Payments in Lieu of Taxes	\$24,557			\$24,557		\$24,557
96400 Bad debt - Tenant Rents		\$1,576		\$1,576		\$1,576
96500 Bad debt - Mortgages						
96600 Bad debt - Other						
96800 Severance Expense						
96000 Total Other General Expenses	\$34,973	\$7,714	\$0	\$42,687	\$0	\$42,687
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
96900 Total Operating Expenses	\$419,109	\$132,037	\$33,339	\$584,485	\$0	\$584,485
97000 Excess of Operating Revenue over Operating Expenses	\$26,839	\$563,007	\$257,223	\$847,069	\$0	\$847,069

Housing Authority of the City of Peru (IN091)

PERU, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2012

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
97100 Extraordinary Maintenance	\$1,817			\$1,817		\$1,817
97200 Casualty Losses - Non-capitalized						
97300 Housing Assistance Payments		\$753,362	\$264,277	\$1,017,639		\$1,017,639
97350 HAP Portability-In						
97400 Depreciation Expense	\$198,354	\$2,711		\$201,065		\$201,065
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
90000 Total Expenses	\$619,280	\$888,110	\$297,616	\$1,805,006	\$0	\$1,805,006
10010 Operating Transfer In	\$1,000			\$1,000	-\$1,000	\$0
10020 Operating transfer Out	-\$1,000			-\$1,000	\$1,000	\$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
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$173,332	-\$193,066	-\$7,054	-\$373,452	\$0	-\$373,452
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$3,448,554	\$296,522	-\$4,865	\$3,740,211		\$3,740,211
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$503	-\$503	\$0		\$0
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		\$47,695		\$47,695		\$47,695
11180 Housing Assistance Payments Equity		\$56,264		\$56,264		\$56,264
11190 Unit Months Available	1236	2524	600	4360		4360
11210 Number of Unit Months Leased	1212	2440	531	4183		4183
11270 Excess Cash	\$468,909			\$468,909		\$468,909
11610 Land Purchases	\$0			\$0		\$0
11620 Building Purchases	\$129,572			\$129,572		\$129,572
11630 Furniture & Equipment - Dwelling Purchases	\$0			\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$9,500			\$9,500		\$9,500
11650 Leasehold Improvements Purchases	\$0			\$0		\$0
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, 2012, in accordance with auditing standards generally accepted in the United States of America, I considered the Housing Authority's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Peru Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the 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 judgments 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 or 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. The general checking account for both Public Housing and Voucher Programs are non interest bearing accounts. The HUD 51999 Depository Agreement states all accounts should be interest bearing in regards to HUD funds.

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

Decatur, Illinois
July 11, 2013

Certified Public Accountant