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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

July 9, 2018

Board of Commissioners
Peru Housing Authority
701 East Main Street
Peru, IN 46970

We have reviewed the report prepared by Peru Housing Authority and opined upon by Audit Solutions, LLC, Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Peru Housing Authority as of December 31, 2017 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Audit Solutions, LLC prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

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

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

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

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED DECEMBER 31, 2017

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

TABLE OF CONTENTS

	<u>PAGE</u>
FINANCIAL SECTION	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	i-iv
Basic Financial Statements:	
Statement of Net Position	3-4
Statement of Revenue, Expenses and Changes in Net Position	5
Statement of Cash Flows	6-7
Notes to the Basic Financial Statements	8-18
SUPPLEMENTAL INFORMATION	
PHA's Statement of Certification of Actual Modernization Costs	19-21
Schedule of Expenditures of Federal Awards	22
Financial Data Schedule	23-25
COMPLIANCE SECTION	
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 <i>Government Auditing Standards</i>	26-27
Independent Auditor's Report on Compliance for each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	28-29
Schedule of Findings and Questioned Costs	30

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City Peru
Peru, Indiana

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Peru (Authority), Indiana, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the 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 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 from 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 entity'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 entity'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 evaluating 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 respective financial position of the business-type activities of the Housing Authority of the City of Peru, Indiana, as of December 31, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages i-iv 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 to 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.

Supplementary Information

My audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Housing Authority of the City of Peru, Indiana’s basic financial statements. The accompanying PHA’s Statement of Certification of Actual Modernization Costs and the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The accompanying PHA’s Statement of Certification of Actual Modernization Costs, the Financial Data Schedule and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 accompanying PHA’s Statement of Certification of Actual Modernization Costs, the Financial Data Schedule and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 18, 2018, on my consideration of the Housing Authority of the City of Peru, Indiana’s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of Peru, Indiana’s internal control over financial reporting and compliance.

Audit Solutions, LLC

Chesterfield, Missouri
June 18, 2018

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2017

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, 2017. 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 3.

FINANCIAL HIGHLIGHTS:

- The assets of the PHA exceed its liabilities as of December 31, 2017 by \$3,008,521 (Net Position).
- The PHA's net investment in capital Assets as of December 31, 2017 was \$2,543,029.
- The PHA's total revenue for the fiscal year end December 31, 2017 was \$1,517,616.
- The PHA's total expenses for the fiscal year end December 31, 2017 were \$1,746,047.
- Therefore; the PHA's total combined expense exceeded its total combined revenue by \$228,431.

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 and Changes in Net Position* - reports the PHA's various revenue and expenses and provides a comparison between this year and the preceding year.
- *Statement of Cash Flows* – reports cash inflows and outflows for the PHA's fiscal year.

ANALYSIS OF FINANCIAL STATEMENTS:

Statement of Net Position				
December 31,				
	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>%-Change</u>
Current Assets	\$556,271	\$704,884	(\$148,613)	-21%
Capital Assets, Net	\$2,543,029	\$2,674,134	(\$131,105)	-5%
Total Assets	<u>\$3,099,300</u>	<u>\$3,379,018</u>	<u>(\$279,718)</u>	<u>-8%</u>
Deferred Outflow of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Current Liabilities	\$63,425	\$70,040	(\$6,615)	-9%
Non-Current Liabilities	\$27,354	\$11,699	\$15,655	134%
Total Liabilities	<u>\$90,779</u>	<u>\$81,739</u>	<u>\$9,040</u>	<u>11%</u>
Deferred Inflow of Resources	<u>-</u>	<u>60,327</u>	<u>\$60,327</u>	<u>-100%</u>

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
December 31, 2017

ANALYSIS OF FINANCIAL STATEMENTS – (Continued):

Statement of Net Position – (Continued)
December 31,

	2017	2016	Change	%-Change
Net Position:				
Net Investment in Capital Assets	\$2,543,029	\$2,674,134	(\$131,105)	-5%
Restricted Assets	\$25,245	\$39,266	(\$14,021)	-36%
Unrestricted Assets	\$440,247	\$523,552	(\$83,305)	-16%
Total Net Position	\$3,008,521	\$3,236,952	(\$228,431)	-7%

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

The increase in other current assets is due to an increase in fraud recovered.

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

The decrease in current liabilities is due to a decrease in unearned revenue.

The increase in non-current liabilities is due to an increase in FSS escrow.

The decrease in unrestricted net position is due to the current year activity not including items related to net investment in capital assets or restricted net position.

Changes in Net Position
For the Year Ended December 31,

	2017	2016	Change	%-Change
Revenue:				
Tenant Revenue	\$282,005	\$293,612	(\$11,607)	-4%
Federal Grants & Subsidy	1,166,365	1,532,461	(\$366,096)	-24%
Investment Income	\$2,414	\$2,131	\$283	13%
Other Income	\$66,832	\$32,542	\$34,290	105%
Gain/Loss on Sale of Fixed Assets	\$0	(\$436)	\$436	-100%
Total Revenue	\$1,517,616	\$1,860,310	(\$342,694)	-18%

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
December 31, 2017

ANALYSIS OF FINANCIAL STATEMENTS – (Continued):

Changes in Net Position – (Continued)
For the Year Ended December 31,

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>%-Change</u>
Expenses:				
Administrative	\$315,932	\$240,650	\$75,282	31%
Tenant Services	\$35,357	\$49,234	(\$13,877)	-28%
Utilities	\$59,472	\$55,012	\$4,460	8%
Routine Maintenance	\$128,843	\$105,062	\$23,781	23%
General Expenses	\$69,621	\$97,133	(\$27,512)	-28%
Non-Routine Expenses	\$0	\$2,619	(\$2,619)	-100%
Housing Assistance Payments	\$925,023	\$1,025,368	(\$100,345)	-10%
Depreciation	\$211,799	\$189,593	\$22,206	12%
Total Operating Expenses	<u>\$1,746,047</u>	<u>\$1,764,671</u>	<u>(\$18,624)</u>	<u>-1%</u>
Increase (Decrease) in Net Position	<u>(\$228,431)</u>	<u>\$95,639</u>	<u>(\$324,070)</u>	<u>-339%</u>

The decrease in HUD operating and capital grants is due to the decrease in HAP and administrative fees received, CFP and PIH Family Self-Sufficiency Program receipts.

The increase in administrative expenses is due to an increase in salaries and employee benefits. The decrease in tenant services is due to salaries and benefits related to the PIH Family Self-Sufficiency Program.

The increase in ordinary maintenance costs is related to an increase in salaries and benefits.

The decrease in general expenses is due to decreased amounts in compensated absences.

The decrease in housing assistance payments is due to decreased leasing for the year because of funding limitations.

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: 1 – Kitchen and Bath renovations and the purchase of a vehicle.
- Voucher: No purchases.
- Additional information regarding capital assets can be found in “Notes to the Financial Statements”.

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
December 31, 2017

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, and Housing Authority of the City of Peru, 701 East Main Street, Peru, and IN 46970

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

STATEMENT OF NET POSITION
December 31, 2017

ASSETS

Current Assets:

Cash and cash equivalents	\$	90,775
Cash - restricted		87,700
Investments		355,073
Receivables - net of allowances		12,992
Inventory - net of allowances		4,140
Prepaid expenses		<u>5,591</u>

Total Current Assets 556,271

Non-current Assets:

Capital assets:

Land and construction in progress		609,137
Other capital assets, net of depreciation		<u>1,933,892</u>

Total capital assets - net 2,543,029

Total Non-current Assets 2,543,029

Total Assets and Deferred Outflow of Resources \$ 3,099,300

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

STATEMENT OF NET POSITION - (Continued)
December 31, 2017

LIABILITIES

Current Liabilities:

Accounts payable	\$	21,826
Accrued salaries and benefits		5,784
Tenant security deposit liability		35,100
Unearned revenues		<u>715</u>

Total Current Liabilities 63,425

Non-current Liabilities:

Non-current liabilities - Other		<u>27,354</u>
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Total Non-current Liabilities 27,354

Total Liabilities 90,779

NET POSITION

Net investment in capital assets		2,543,029
Restricted		25,245
Unrestricted		<u>440,247</u>

Total Net Position 3,008,521

Total Liabilities, Deferred Inflows of Resources and Net Position \$ 3,099,300

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2017

OPERATING REVENUES	
Tenant revenue	\$ 282,005
Governmental grants and subsidy	1,141,080
Miscellaneous	<u>66,832</u>
Total operating revenue	<u>1,489,917</u>
OPERATING EXPENSES	
Administrative	315,932
Tenant services	35,357
Utilities	59,472
Ordinary maintenance and operations	128,843
Insurance	48,689
General	20,932
Housing assistance payment	925,023
Depreciation expense	<u>211,799</u>
Total operating expenses	<u>1,746,047</u>
Operating income (loss)	<u>(256,130)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	<u>2,414</u>
Net non-operating revenues (expenses)	<u>2,414</u>
Income (loss) before contributions and transfers	<u>(253,716)</u>
Capital contributions	<u>25,285</u>
Change in net position	(228,431)
Total net position - beginning of year	<u>3,236,952</u>
Total net position - end of year	<u>\$ <u>3,008,521</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Received from tenants	\$ 283,219
Received from governmental grants and subsidy	1,133,487
Received from other operating activities	60,598
Payments for goods and services	(220,757)
Payments to employees	(425,000)
Payment in lieu of taxes	(22,559)
Payment for housing assistance	<u>(925,023)</u>

Net cash provided by (used in) operating activities (116,035)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from capital contributions	25,285
Purchases of capital assets	(80,694)
Receipts (payments) from deferred credits and escrow deposits	<u>15,655</u>

Net cash provided by (used in) capital and related financing activities (39,754)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds (payments) from sale (purchase) of investments	(1,887)
Receipts of interest and dividends	<u>2,364</u>

Net cash provided by (used in) investing activities 477

Net increase (decrease) in cash and cash equivalents	(155,312)
Cash and cash equivalents at beginning of year	<u>333,787</u>

Cash and cash equivalents at end of year	<u><u>\$ 178,475</u></u>
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See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

STATEMENT OF CASH FLOWS - (Continued)
For the Year Ended December 31, 2017

Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (256,130)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	211,799
Change in assets and liabilities:	
Receivables, net	(5,347)
Inventories, net	188
Prepaid expenses	397
Accounts and other payables	(1,386)
Tenant security deposit	1,367
Deferred revenues	(68,073)
Accrued expenses	<u>1,150</u>
Net cash provided by (used) by operating activities	\$ <u><u>(116,035)</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1B. Basis of Presentation - (Continued)

The Authority operates the following programs in the enterprise fund:

Low Rent - The objective of the program is to provide decent, safe and sanitary housing and related facilities for eligible low-income individuals.

Capital Fund Program - The purpose of this program is to provide funds annually to housing authorities for the modernization of the housing development and for management improvements.

Housing Choice Vouchers - The objective of the program is to help low-income families obtain decent, safe, and sanitary housing through a system of rental assistance. HUD reimburses the Authority for the rental supplements paid to private landlords and the administrative costs of managing the program.

PIH Family Self Sufficiency Program - This is a voluntary program that provides Housing Choice Voucher participants the opportunity to achieve economic independence over a five-year period. This is achieved through the close assistance of a case manager who supports monitors and links up FSS families to public and private resources in the community.

State & Local - The objective of the program is to help low-income families obtain decent, safe, and sanitary housing through a system of rental assistance. The PHA is a subcontractor with the Indiana Housing & Community Development Authority (IHCDA) to administer portions of the HCV Program for them in Howard, Cass, Grant and Miami Counties. The IHCDA reimburses the Authority for the rental supplements paid to private landlords and the agency earns an administrative fee for the costs of managing the program.

1C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus - The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting - In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1D. Budgets

Budgets are prepared for regulatory purposes in accordance with the Authority’s contract with HUD on an annual basis for all operating programs and on a project length basis for capital projects funds which are approved by the Board of Commissioners and submitted to HUD for their approval, if required.

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1E. Estimates and assumptions

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from those estimates.

1F. Assets, Liabilities and Equity

Cash and Investments

For the purpose of the Statement of Net Position, “cash and cash equivalents” includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2B and 3A.

Inter-fund Receivables and Payables

During the course of operations, numerous transactions occur within individual funds that may result in amounts owed between funds. Inter-fund receivables and payables between funds are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances consist of fraud recovery and accrued interest receivable.

Inventories

Inventories are valued at lower of cost or market on an average cost basis. Inventories consist primarily of maintenance materials and supplies held for consumption. The consumption method is used to account for inventories. Under the consumption method, inventories are recorded as assets when purchased and expenses when used.

Fixed Assets

Fixed assets in the proprietary fund types are stated at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. It is the policy of the Authority to capitalize all assets with a cost of \$500 or greater. The cost of maintenance and repairs are charged to operations as incurred. Costs of major additions, improvements, and betterments are capitalized.

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1F. Assets, Liabilities and Equity - (Continued)

Fixed Assets - (Continued)

Depreciation of all exhaustible fixed assets is charged as an expense against operations and is recorded in the Statement of Revenues, Expenses and Changes in Net Position with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Building	10-40 years
Furniture, equipment and machinery - dwelling	10 years
Furniture, equipment and machinery - administrative	5-10 years

Restricted Assets

Restricted assets include cash of the proprietary fund that are legally restricted as to their use. The primary restricted asset is related to the security deposit fund under the Low Rent program and restricted HAP fund under Housing Choice Voucher and State & Local program.

Compensated Absences

The Authority's policies regarding vacation time does not permit employees to carry forward unused vacation leave. As such, no liability is recorded at year end.

Equity Classifications

Equity is classified as net position and displayed in three components:

- 1) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted net position - Consists of net position with constraints placed on the use either by (i) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; (ii) law through constitutional provisions or enabling legislation.
- 3) Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted are available, the Authority's policy is to apply restricted assets to fund restricted costs and then unrestricted as they are needed.

1G. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1G. Revenues, Expenditures, and Expenses

Inter-fund Transfers

Permanent reallocation of resources between programs of the reporting entity is classified as inter-fund transfers. For the purposes of the Statement of Revenues, Expenses and Change in Net Position, all inter-fund transfers between individual programs, if any, have been eliminated.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Authority and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Authority's compliance with significant laws and regulations and demonstration of its stewardship over Authority resources follows.

2A. Program Accounting Requirements

The Authority's complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Authority are as follows:

<u>Program</u>	<u>Required By</u>
Public and Indian Housing	U.S. Department of Housing and Urban Development
Capital Fund Program	U.S. Department of Housing and Urban Development
Housing Choice Voucher	U.S. Department of Housing and Urban Development
PIH Family Self Sufficiency Program	U.S. Department of Housing and Urban Development
State & Local	Housing Authority

2B. Deposits and Investments Laws and Regulations

It is the Authority's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. As reflected in Note 3A, all deposits were fully insured or collateralized.

Investing is performed in accordance with HUD regulations and State Statutes. Funds may be invested in the following type of investments:

- Direct obligations of the U.S. Government pledged by its full faith and credit.
- Demand, savings, money-market and certificates of deposit at commercial banks, mutual savings banks, savings and loan associations and credit unions provided that the entire deposit be insured by the FDIC and any deposits in excess of insured amounts are adequately collateralized.

2C. Revenue Restrictions

The Authority has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Capital Fund Program	Modernization
Housing Choice Voucher	Housing assistance payment

For the year ended December 31, 2017, the Authority complied, in all material respects, with these revenue restrictions.

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2017

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3A. Cash and Investments

As of December 31, 2017, the Authority had the following cash deposits:

Cash deposits	\$	178,475
Certificate of deposit		<u>355,073</u>
Total	\$	<u><u>533,548</u></u>

Following is a reconciliation of the Authority's deposit balances as of December 31, 2017:

Cash and cash equivalents	\$	90,775
Restricted assets		87,700
Investments		<u>355,073</u>
Total	\$	<u><u>533,548</u></u>

Deposits

Custodial Credit Risk - Deposits

The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. At December 31, 2017, the Authority's bank balances of \$203,533 were entirely covered by FDIC insurance or by the Public Deposit Insurance Fund (PDIF) which was created in 1937 to protect the public funds of the state and its political subdivisions deposited in approved financial institutions in the state of Indiana. The PDIF insures those public funds deposited in approved financial institutions which exceed the limits of coverage provided by federal deposit insurance. The fund is administered by the Indiana Board for Depositories.

Custodial Credit Risk - Investments

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At December 31, 2017, the Authority's investment balance of \$355,073 was entirely covered by FDIC or PDIF insurance.

Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organization. As the Authority's investments consist entirely of certificate of deposits, credit risk is not applicable to the Housing Authority.

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2017

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3A. Cash and Investments - (Continued)

Deposits – (Continued)

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer. At December 31, 2017, the concentration of the Authority's investment (excluding cash deposits) was as follows:

<u>Type of Investment</u>	<u>Market Value</u>	<u>Maturity Date</u>
Certificate of Deposit	\$ 27,188	10/2/2018
Certificate of Deposit	104,326	8/12/2018
Certificate of Deposit	105,862	1/14/2018
Certificate of Deposit	<u>117,697</u>	2/21/2018
Total	<u>\$ 355,073</u>	

3B. Restricted Assets

Restricted assets at December 31, 2017 consist of the following:

<u>Type of Restricted Assets</u>	<u>Cash Including Time Deposits</u>	<u>Investments</u>	<u>Accrued Interest</u>	<u>Total</u>
Security deposit	35,100	----	----	35,100
HAP	25,245	----	----	25,245
FSS Escrow	<u>27,355</u>	<u>----</u>	<u>----</u>	<u>27,355</u>
Total	<u>\$ 87,700</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 87,700</u>

3C. Accounts Receivable - Current

Receivables at December 31, 2017 consist of the following:

Fraud recovery	\$ 13,570
Less: Allowance for doubtful account	<u>(628)</u>
Tenants - net of allowance	12,942
Interest	<u>50</u>
Total	<u>\$ 12,992</u>

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2017

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3D. Inventory

Inventory at December 31, 2017 comprised of the following:

Inventory \$ 4,140

3E. Capital Assets

A summary of capital asset activity for the year ended December 31, 2017 is as follows:

	Balance January 1, 2017	Additions	(Retirement)	Reclass/ Transfers in (out)	Balance December 31, 2017
Non-depreciable assets:					
Land	\$ 609,137	\$ -	\$ -	\$ -	\$ 609,137
Construction in progress	191,459	-	-	(191,459)	-
Total non-depreciable assets	<u>800,596</u>	<u>-</u>	<u>-</u>	<u>(191,459)</u>	<u>609,137</u>
Depreciable assets:					
Building	5,203,184	62,658	-	191,459	5,457,301
Equipment - dwelling	156,732	-	-	-	156,732
Equipment - administration	233,801	18,036	-	-	251,837
Total depreciable assets	<u>5,593,717</u>	<u>80,694</u>	<u>-</u>	<u>191,459</u>	<u>5,865,870</u>
Accumulated depreciation	<u>(3,720,179)</u>	<u>(211,799)</u>	<u>-</u>	<u>-</u>	<u>(3,931,978)</u>
Total depreciable assets, net	<u>1,873,538</u>	<u>(131,105)</u>	<u>-</u>	<u>191,459</u>	<u>1,933,892</u>
Capital assets, net	<u>\$ 2,674,134</u>	<u>\$ (131,105)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,543,029</u>

Depreciation expense is charged to programs as follows:

	Business-type Activities
Low Rent	\$ 191,741
CFP	19,585
HCV	<u>473</u>
Total depreciation expense	<u>\$ 211,799</u>

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2017

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3F. Accounts Payable

Accounts payable at December 31, 2017 consist of the following:

Vendors & contractors	\$	1,142
Other government		<u>20,684</u>
Total	\$	<u>21,826</u>

3G. Non-Current Liabilities

Non-current liabilities at December 31, 2017 consist of the following:

FSS Escrow	\$	<u>27,354</u>
------------	----	---------------

The following is the summary of changes in non-current liabilities:

<u>Description</u>	<u>Balance Jan 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Dec 31, 2017</u>	<u>Amounts Due within One Year</u>
FSS Escrow	\$ <u>11,699</u>	\$ <u>15,655</u>	\$ <u>--</u>	\$ <u>27,354</u>	\$ <u>--</u>

NOTE 4 – OTHER NOTES

4A. Employee Pension Plan

The Authority provides pension benefits for all of its full-time employees through a Simplified Employee Pension (SEP). A SEP is a written arrangement (a plan) that allows an employer to make deductible contributions for the benefit of participating employees. The contributions are made to individual retirement arrangements (IRAs) set up for participants in the Plan administered by Wells Fargo Bank.

An eligible employee is an individual who meets the following requirements:

- * Has attained age 21
- * Has worked for the employer one year of the last two preceding years
- * Has received at least \$313 in compensation in the year

The Housing Authority Board can decide from year to year if a SEP contribution and the amount that will be made to the SEP Plan. If the employer has selected the Percentage Contribution Formula in the SEP Adoption Agreement, then employer contributions for each plan year shall be allocated to each participant in the same proportion as such participant's compensation, indexed for cost of living increases in accordance with Section 408 (k) (8) of the Code) for the Plan year bears to the total compensation of all participants for such Plan year. The plan requires the Authority to contribute 10% of covered wages.

The following information related to the plan at December 31, 2017:

Total payroll	\$	214,639
Total payroll for eligible participants	\$	214,639
Employer contributions made	\$	21,464

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2017

NOTE 4 – OTHER NOTES - (Continued)

4B. Risk Management

The Authority is exposed to various risks of losses related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The Authority manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>
a. Torts, errors and omissions	Purchased insurance with Central Mutual Insurance Co.
b. Injuries to employees (workers' compensation)	Purchased insurance with Central Mutual Insurance Co. Claims are administered by the same company.
c. Physical property loss and natural disasters	Purchased commercial insurance with deductibles ranging from \$1,000 - \$2,500.
d. Health and Life	Health insurance is provided by Anthem Blue Cross Blue Shield; Life insurance is provided by Anthem Life.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4C. Contingencies

The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

4D. Commitments - Construction

At December 31, 2017, the Authority had no pending Capital Fund project in progress.

4E. Financial Data Schedule

The Authority prepares its Financial Data Schedule (FDS) in accordance with HUD requirements in a prescribed format which differs from the presentation of the basic financial statements. The FDS format excludes depreciation and HAP expense and includes investment income and capital contributions in operating activities, which differs from the presentation of basic financial statements.

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2017

NOTE 4 – OTHER NOTES - (Continued)

4F. Subsequent Events

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes.

The Authority was a plaintiff in a three-count complaint filed against the Department of Housing and Urban Development (HUD) alleging that HUD breached their contracts by failing to make certain payments in accordance with the contracts' terms. The plaintiffs in these consolidated cases were more than 300 public housing authorities who held contracts with HUD. On January 19, 2018, the Housing Authority of the City of Peru was awarded \$98,697 in conjunction with this litigation.

4G. Economic Dependency

The Authority is primarily dependent upon HUD for the funding of operations; therefore, the Authority is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2018 federal budget.

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST
December 31, 2017

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-14</u>
Funds approved	\$ 108,258
Funds expended	<u>108,258</u>
Excess of Funds Approved	<u>\$ ---</u>
Funds advanced	\$ 108,258
Funds expended	<u>108,258</u>
Excess (deficiency) of Funds Advanced	<u>\$ ---</u>

2. The costs as shown on the Actual Cost Certificate dated April 18, 2018 submitted to HUD for approval is in agreement with the Authority's records as of December 31, 2017.
3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST – (Continued)
December 31, 2017

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-15</u>
Funds approved	\$ 109,486
Funds expended	<u>109,486</u>
Excess of Funds Approved	<u>\$ ---</u>
Funds advanced	\$ 109,486
Funds expended	<u>109,486</u>
Excess (deficiency) of Funds Advanced	<u>\$ ---</u>

2. The costs as shown on the Actual Cost Certificate dated April 18, 2018 submitted to HUD for approval is in agreement with the Authority's records as of December 31, 2017.
3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST – (Continued)
December 31, 2017

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-16</u>
Funds approved	\$ 113,689
Funds expended	<u>113,689</u>
Excess of Funds Approved	<u>\$ ---</u>
Funds advanced	\$ 113,689
Funds expended	<u>113,689</u>
Excess (deficiency) of Funds Advanced	<u>\$ ---</u>

2. The costs as shown on the Actual Cost Certificate dated April 18, 2018 submitted to HUD for approval is in agreement with the Authority's records as of December 31, 2017.
3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2017

<u>Federal Grantor</u>	<u>Federal CFDA #</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Low Rent Program	14.850	\$ 105,108
Capital Fund Program	14.872	26,285
Voucher Cluster:		
Housing Choice Vouchers	14.871	702,408
Housing Choice Vouchers – IHCDA (flow through)	14.871	300,633
PIH Family Self-Sufficiency Program	14,896	<u>31,931</u>
Total Expenditures of Federal Awards		\$ <u><u>1,166,365</u></u>

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the Housing Authority of the City of Peru, Indiana (Authority) under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

FINANCIAL DATA SCHEDULE
Year Ended December 31, 2017

	Project Total	14.896 PIH Family Self- Sufficiency Program	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$81,708		\$1,904	\$7,163	\$90,775		\$90,775
113 Cash - Other Restricted			\$48,930	\$3,670	\$52,600		\$52,600
114 Cash - Tenant Security Deposits	\$35,100				\$35,100		\$35,100
100 Total Cash	\$116,808	\$0	\$50,834	\$10,833	\$178,475	\$0	\$178,475
128 Fraud Recovery			\$13,570		\$13,570		\$13,570
128.1 Allowance for Doubtful Accounts - Fraud			-\$628		-\$628		-\$628
129 Accrued Interest Receivable	\$50				\$50		\$50
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$50	\$0	\$12,942	\$0	\$12,992	\$0	\$12,992
131 Investments - Unrestricted	\$355,073				\$355,073		\$355,073
142 Prepaid Expenses and Other Assets	\$2,629		\$2,962		\$5,591		\$5,591
143 Inventories	\$3,387		\$753		\$4,140		\$4,140
150 Total Current Assets	\$477,947	\$0	\$67,491	\$10,833	\$556,271	\$0	\$556,271
161 Land	\$609,137				\$609,137		\$609,137
162 Buildings	\$5,457,301				\$5,457,301		\$5,457,301
163 Furniture, Equipment & Machinery - Dwellings	\$156,732				\$156,732		\$156,732
164 Furniture, Equipment & Machinery - Administration	\$211,028		\$40,809		\$251,837		\$251,837
166 Accumulated Depreciation	-\$3,892,162		-\$39,816		-\$3,931,978		-\$3,931,978
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,542,036	\$0	\$993	\$0	\$2,543,029	\$0	\$2,543,029
180 Total Non-Current Assets	\$2,542,036	\$0	\$993	\$0	\$2,543,029	\$0	\$2,543,029
290 Total Assets and Deferred Outflow of Resources	\$3,019,983	\$0	\$68,484	\$10,833	\$3,099,300	\$0	\$3,099,300
312 Accounts Payable <= 90 Days				\$1,142	\$1,142		\$1,142
321 Accrued Wage/Payroll Taxes Payable	\$4,213		\$1,571		\$5,784		\$5,784
333 Accounts Payable - Other Government	\$20,684				\$20,684		\$20,684
341 Tenant Security Deposits	\$35,100				\$35,100		\$35,100
342 Unearned Revenue	\$715				\$715		\$715
310 Total Current Liabilities	\$60,712	\$0	\$1,571	\$1,142	\$63,425	\$0	\$63,425
353 Non-current Liabilities - Other			\$27,354		\$27,354		\$27,354
350 Total Non-Current Liabilities	\$0	\$0	\$27,354	\$0	\$27,354	\$0	\$27,354
300 Total Liabilities	\$60,712	\$0	\$28,925	\$1,142	\$90,779	\$0	\$90,779
508.4 Net Investment in Capital Assets	\$2,542,036	\$0	\$993	\$0	\$2,543,029		\$2,543,029
511.4 Restricted Net Position	\$0	\$0	\$21,575	\$3,670	\$25,245		\$25,245
512.4 Unrestricted Net Position	\$417,235	\$0	\$16,991	\$6,021	\$440,247	\$0	\$440,247
513 Total Equity - Net Assets / Position	\$2,959,271	\$0	\$39,559	\$9,691	\$3,008,521	\$0	\$3,008,521
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$3,019,983	\$0	\$68,484	\$10,833	\$3,099,300	\$0	\$3,099,300

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2017

	Project Total	14.896 PIH Family Self- Sufficiency Program	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$266,329				\$266,329		\$266,329
70400 Tenant Revenue - Other	\$15,676				\$15,676		\$15,676
70500 Total Tenant Revenue	\$282,005	\$0	\$0	\$0	\$282,005	\$0	\$282,005
70600 HUD PHA Operating Grants	\$106,108	\$31,931	\$702,408		\$840,447		\$840,447
70610 Capital Grants	\$25,285				\$25,285		\$25,285
70800 Other Government Grants				\$300,633	\$300,633		\$300,633
71100 Investment Income - Unrestricted	\$2,265		\$6	\$143	\$2,414		\$2,414
71400 Fraud Recovery			\$14,245		\$14,245		\$14,245
71500 Other Revenue	\$14,597		\$37,702	\$288	\$52,587		\$52,587
70000 Total Revenue	\$430,260	\$31,931	\$754,361	\$301,064	\$1,517,616	\$0	\$1,517,616
91100 Administrative Salaries	\$91,368		\$28,882	\$8,746	\$128,996		\$128,996
91200 Auditing Fees	\$1,691		\$3,448	\$976	\$6,115		\$6,115
91400 Advertising and Marketing	\$71				\$71		\$71
91500 Employee Benefit contributions - Administrative	\$42,947		\$69,149	\$1,544	\$113,640		\$113,640
91600 Office Expenses	\$11,158		\$4,036	\$1,935	\$17,129		\$17,129
91700 Legal Expense	\$190				\$190		\$190
91800 Travel	\$250				\$250		\$250
91900 Other	\$8,592		\$8,723	\$32,226	\$49,541		\$49,541
91000 Total Operating - Administrative	\$156,267	\$0	\$114,238	\$45,427	\$315,932	\$0	\$315,932
92100 Tenant Services - Salaries	\$1,360	\$26,769			\$28,129		\$28,129
92300 Employee Benefit Contributions - Tenant Services	\$113	\$5,162			\$5,275		\$5,275
92400 Tenant Services - Other	\$1,953				\$1,953		\$1,953
92500 Total Tenant Services	\$3,426	\$31,931	\$0	\$0	\$35,357	\$0	\$35,357
93100 Water	\$11,728				\$11,728		\$11,728
93200 Electricity	\$24,721				\$24,721		\$24,721
93600 Sewer	\$19,873				\$19,873		\$19,873
93800 Other Utilities Expense	\$3,150				\$3,150		\$3,150
93000 Total Utilities	\$59,472	\$0	\$0	\$0	\$59,472	\$0	\$59,472
94100 Ordinary Maintenance and Operations - Labor	\$54,791				\$54,791		\$54,791
94200 Ordinary Maintenance and Operations - Materials and Other	\$12,241		\$214	\$863	\$13,318		\$13,318
94300 Ordinary Maintenance and Operations Contracts	\$25,742				\$25,742		\$25,742
94500 Employee Benefit Contributions - Ordinary Maintenance	\$34,992				\$34,992		\$34,992
94000 Total Maintenance	\$127,766	\$0	\$214	\$863	\$128,843	\$0	\$128,843
96110 Property Insurance	\$27,124				\$27,124		\$27,124
96120 Liability Insurance	\$3,998				\$3,998		\$3,998
96130 Workmen's Compensation	\$4,049		\$1,039		\$5,088		\$5,088
96140 All Other Insurance	\$8,156		\$2,690	\$1,633	\$12,479		\$12,479
96100 Total insurance Premiums	\$43,327	\$0	\$3,729	\$1,633	\$48,689	\$0	\$48,689

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2017

	Project Total	14.896 PIH Family Self- Sufficiency Program	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
96200 Other General Expenses			\$248		\$248		\$248
96300 Payments in Lieu of Taxes	\$20,684				\$20,684		\$20,684
96000 Total Other General Expenses	\$20,684	\$0	\$248	\$0	\$20,932	\$0	\$20,932
96900 Total Operating Expenses	\$410,942	\$31,931	\$118,429	\$47,923	\$609,225	\$0	\$609,225
97000 Excess of Operating Revenue over Operating Expenses	\$19,318	\$0	\$635,932	\$253,141	\$908,391	\$0	\$908,391
97300 Housing Assistance Payments			\$652,661	\$272,362	\$925,023		\$925,023
97400 Depreciation Expense	\$211,326		\$473		\$211,799		\$211,799
90000 Total Expenses	\$622,268	\$31,931	\$771,563	\$320,285	\$1,746,047	\$0	\$1,746,047
10010 Operating Transfer In	\$1,000				\$1,000	-\$1,000	\$0
10020 Operating transfer Out	-\$1,000				-\$1,000	\$1,000	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$192,008	\$0	-\$17,202	-\$19,221	-\$228,431	\$0	-\$228,431
11030 Beginning Equity	\$3,151,279	\$0	\$56,761	\$28,912	\$3,236,952		\$3,236,952
11170 Administrative Fee Equity			\$17,984		\$17,984		\$17,984
11180 Housing Assistance Payments Equity			\$21,575		\$21,575		\$21,575
11190 Unit Months Available	1236	0	2468	695	4399		4399
11210 Number of Unit Months Leased	1229	0	1973	695	3897		3897
11270 Excess Cash	\$376,974				\$376,974		\$376,974
11620 Building Purchases	\$62,658				\$62,658		\$62,658
11640 Furniture & Equipment - Administrative Purchases	\$18,036				\$18,036		\$18,036

**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
Housing Authority of the City Peru
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 business-type activities of the Housing Authority of the City of Peru (Authority), Indiana, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued my report thereon dated June 18, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, I do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. 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 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 instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Audit Solutions, LLC

Chesterfield, Missouri

June 18, 2018

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Board of Commissioners
Housing Authority of the City Peru
Peru, Indiana

Report on Compliance for Each Major Federal Program

I have audited the Housing Authority of the City of Peru (Authority), Indiana’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority’s major federal programs for the year ended December 31, 2017. The 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

My responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 federal program. However, my audit does not provide a legal determination of the Authority’s compliance.

Opinion on Each Major Federal Program

In my opinion, the Housing Authority of the City of Peru, Indiana, complied, in all material respects, with the types of 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, 2017.

Report on Internal Control Over Compliance

Management 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 Authority’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Authority’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a 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 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. 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 that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Audit Solutions, LLC

Chesterfield, Missouri

June 18, 2018

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

➤ Material weakness(es) identified? No
➤ Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

➤ Material weakness(es) identified? No
➤ Significant deficiency(ies) identified? No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? No

Identification of major programs:

➤ CFDA #14.871 Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes