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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 8, 2020

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

We have reviewed the audit report of Peru Housing Authority, which was opined upon by Audit Solutions, LLC, Independent Public Accountants, for the period January 1, 2019 to December 31, 2019. 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, 2019 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 the audit report in accordance with the guidelines established by the State Board of Accounts.

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

A handwritten signature in blue ink that reads "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, 2019

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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, 2019, 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 Authority, as of December 31, 2019, 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-iii 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 Authority’s basic financial statements. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is 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 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 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 30, 2020, on my consideration of the Authority’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 Authority’s internal control over financial reporting and compliance.

Audit Solutions, LLC

Chesterfield, Missouri
June 30, 2020

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2019

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, 2019. 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, 2019 by \$2,649,966 (Net Position).
- The PHA's net investment in capital assets as of December 31, 2019 was \$2,137,343.
- The PHA's total revenue for the fiscal year end December 31, 2019 was \$1,501,301.
- The PHA's total expenses for the fiscal year end December 31, 2019 were \$1,685,397.
- Therefore, the PHA's total combined expense exceeded its total combined revenue by \$184,096.

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>2019</u>	<u>2018</u>	<u>Change</u>	<u>%-Change</u>
Current Assets	\$593,432	\$584,167	\$9,265	2%
Capital Assets, Net	\$2,137,343	\$2,333,728	(\$196,385)	-8%
Total Assets	<u>\$2,730,775</u>	<u>\$2,917,895</u>	<u>(\$187,120)</u>	<u>-6%</u>
Current Liabilities	\$55,058	\$61,781	(\$6,723)	-11%
Non-Current Liabilities	\$25,751	\$22,052	\$3,699	17%
Total Liabilities	<u>\$80,809</u>	<u>\$83,833</u>	<u>(\$3,024)</u>	<u>-4%</u>
Net Position:				
Net Investment in Capital Assets	\$2,137,343	\$2,333,728	(\$196,385)	-8%
Restricted Net Position	\$11,954	\$18,552	(\$6,598)	-36%
Unrestricted Net Position	\$500,669	\$481,782	\$18,887	4%
Total Net Position	<u>\$2,649,966</u>	<u>\$2,834,062</u>	<u>(\$184,096)</u>	<u>-6%</u>

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – Continued
December 31, 2019

ANALYSIS OF FINANCIAL STATEMENTS - Continued:

The increase in cash and investments is due to increased funding for operating subsidy and CFP operations.

The decrease in other current assets is due to a decrease in unrestricted investments.

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

The decrease in current liabilities is due to a decrease in accounts payable.

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

The increase 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.

Statement of Changes in Net Position
For the Year Ended December 31,

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>%-Change</u>
Revenue:				
Tenant Revenue	\$285,351	\$282,074	\$3,277	1%
Federal Grants & Subsidy	1,184,026	1,114,895	\$69,131	6%
Investment Income	\$7,286	\$4,049	\$3,237	80%
Other Income	\$24,638	\$115,549	(\$90,911)	-79%
Gain/Loss on Sale of Fixed Assets	\$0	(\$481)	\$481	-100%
Total Revenue	<u>\$1,501,301</u>	<u>\$1,516,086</u>	<u>(\$14,785)</u>	<u>-1%</u>
Expenses:				
Administrative	\$305,816	\$304,384	\$1,432	0%
Tenant Services	\$2,245	\$3,235	(\$990)	-31%
Utilities	\$55,875	\$62,601	(\$6,726)	-11%
Routine Maintenance	\$112,397	\$124,107	(\$11,710)	-9%
Protective Services	\$0	\$0	\$0	#DIV/0!
General Expenses	\$79,646	\$78,707	\$939	1%
Interest Expenses	\$0	\$0	\$0	#DIV/0!
Non-Routine Expenses	\$509	\$0	\$509	#DIV/0!
Housing Assistance Payments	\$922,265	\$903,089	\$19,176	2%
Depreciation	\$206,644	\$214,422	(\$7,778)	-4%
Total Operating Expenses	<u>\$1,685,397</u>	<u>\$1,690,545</u>	<u>(\$5,148)</u>	<u>0%</u>
Increase (Decrease) in Net Position	<u>(\$184,096)</u>	<u>(\$174,459)</u>	<u>(\$9,637)</u>	<u>6%</u>

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) – Continued
December 31, 2019

ANALYSIS OF FINANCIAL STATEMENTS - Continued:

The increase in HUD operating and capital grants is due to the increase in Voucher, CFP and operating subsidy Program receipts.

The decrease in Other Government Grants is due to a decrease in funding from the State HAP Program.

The decrease in other revenue is due to no subsidy litigation proceeds.

The increase in Fraud recovery is due to increased collections on bad debt.

The decrease in administrative expenses is due to a decrease in administrative salaries.

The decrease in ordinary maintenance costs is related to a decrease in benefits and contract costs.

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

CAPITAL ASSETS & LONG-TERM DEBT ACTIVITY DURING THE YEAR

Capital Assets at Year End				
(Net of Accumulated Depreciation)				
December 31,				
	2019	2018	Change	%-Change
Land	\$609,137	\$609,137	\$0	0%
Buildings	\$5,457,301	\$5,457,301	\$0	0%
Equipment - dwellings	\$144,918	\$145,441	(\$523)	0%
Equipment - administration	\$231,325	\$228,791	\$2,534	1%
Construction in progress	\$7,106	\$0	\$7,106	100%
Subtotal	\$6,449,787	\$6,440,670	\$9,117	0%
Accumulated depreciation	(\$4,312,444)	(\$4,106,942)	(\$205,502)	5%
Net Capital Assets	\$2,137,343	\$2,333,728	(\$196,385)	-8%

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

- Low Rent Program: Two computers and a canopy.
- Voucher: No purchases
- Additional information regarding capital assets can be found in “Notes to the Financial Statements”

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, 2019

ASSETS

Current Assets:

Cash and cash equivalents	\$	372,831
Cash - restricted		66,635
Investments		136,881
Receivables - net of allowances		6,780
Inventory - net of allowances		2,615
Prepaid expenses		<u>7,690</u>

Total Current Assets 593,432

Non-current Assets:

Land and construction in progress	616,243
Other capital assets, net of depreciation	<u>1,521,100</u>

Total capital assets - net 2,137,343

Total Non-current Assets 2,137,343

Total Assets \$ 2,730,775

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

STATEMENT OF NET POSITION - (Continued)
December 31, 2019

LIABILITIES

Current Liabilities:

Accounts payable	\$	21,327
Tenant security deposit liability		33,511
Unearned revenues		<u>220</u>

Total Current Liabilities 55,058

Non-current Liabilities:

Non-current liabilities - Other		<u>25,751</u>
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Total Non-current Liabilities 25,751

Total Liabilities 80,809

NET POSITION

Net investment in capital assets		2,137,343
Restricted		11,954
Unrestricted		<u>500,669</u>

Total Net Position 2,649,966

Total Liabilities and Net Position \$ 2,730,775

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, 2019

OPERATING REVENUES	
Tenant revenue	\$ 285,351
Governmental grants and subsidy	1,176,920
Miscellaneous	<u>24,638</u>
Total operating revenue	<u>1,486,909</u>
OPERATING EXPENSES	
Administrative	305,816
Tenant services	2,245
Utilities	55,875
Ordinary maintenance and operations	112,397
Insurance	49,559
General	30,087
Non routine maintenance	509
Housing assistance payment	922,265
Depreciation expense	<u>206,644</u>
Total operating expenses	<u>1,685,397</u>
Operating income (loss)	<u>(198,488)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	<u>7,286</u>
Net non-operating revenues (expenses)	<u>7,286</u>
Income (loss) before contributions and transfers	<u>(191,202)</u>
Capital contributions	<u>7,106</u>
Change in net position	(184,096)
Total net position - beginning of year	<u>2,834,062</u>
Total net position - end of year	<u>\$ <u>2,649,966</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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Received from tenants	\$	275,569
Received from governmental grants and subsidy		1,176,920
Received from other operating activities		21,566
Payments for goods and services		(186,958)
Payments to employees		(347,461)
Payment in lieu of taxes		(20,360)
Payment for housing assistance		(922,265)

Net cash provided by (used in) operating activities (2,989)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from capital contributions		7,106
Purchases of capital assets		(10,259)
Receipts (payments) from deferred credits and escrow deposits		3,699
Net cash provided by (used in) capital and related financing activities		<u>546</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds (payments) from sale (purchase) of investments		116,992
Receipts of interest and dividends		<u>7,181</u>

Net cash provided by (used in) investing activities 124,173

Net increase (decrease) in cash and cash equivalents 121,730
Cash and cash equivalents at beginning of year 317,736

Cash and cash equivalents at end of year 439,466

Reconciliation of cash and cash equivalent per statement of cash flows to the Statement of Net Position

Cash and cash equivalent		372,831
Cash and cash equivalents - restricted		<u>66,635</u>

Cash and cash equivalent per Statement of Net Position \$ 439,466

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, 2019

Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (198,488)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	206,644
Change in assets and liabilities:	
Receivables, net	(3,129)
Inventories, net	627
Prepaid expenses	(1,920)
Accounts and other payables	967
Tenant security deposit	(1,790)
Unearned revenues	(273)
Accrued expenses	<u>(5,627)</u>
Net cash provided by (used) by operating activities	\$ <u><u>(2,989)</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
December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Housing Authority of the City of Peru (Authority) is a public body and a body corporate and politic organized under the laws of the State of Indiana that is legally separate, fiscally independent and governed by a Board of Commissioners. The 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 (HUD) and other applicable federal agencies. Additionally, HUD has entered into Annual Contributions Contract with the Authority for the purpose of administering housing and housing relating programs described herein. The Authority is not subject to Federal or State income taxes and is not required to file Federal or State income tax returns.

The financial statements of the Authority have been prepared in conformity with Generally Accepted Accounting Principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1A. Financial Reporting Entity

The Authority's financial reporting entity comprises the following:

Primary Government: Housing Authority

In determining the financial reporting entity, the Authority complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39 and No. 61, "The Financial Reporting Entity," and includes all component units of which the Authority appointed a voting majority of the units' board; the Authority is either able to impose its will on the unit or a financial benefit or burden relationship exists. On the basis of the application of these criteria, there are no component units which are required to be included in the Authority's financial statements.

1B. Basis of Presentation

The accounts of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. The operations of each fund are reported as a separate set of self-balancing accounts that are comprised of each fund's assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds consist of three major categories: governmental, proprietary and fiduciary. Funds within each major category are grouped by fund type in the combined financial statements. The Authority uses the following fund:

Proprietary Fund Types - This fund is used to account for the Authority's ongoing activities that are similar to those often found in the private sector. The accounting objectives are a determination of net income, financial position and changes in cash flow. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position. Proprietary fund equity is segregated into net investment in capital assets and restricted and unrestricted net position. The following are the Authority's proprietary fund types:

Enterprise Fund - Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Authority's programs as an enterprise fund.

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2019

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

1B. Basis of Presentation - (Continued)

The Authority operates the following programs in the enterprise fund:

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

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

Section 8 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.

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.

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.

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2019

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

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 balance consists of tenants, 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.

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

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2019

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

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

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 and FSS 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.

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.

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2019

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
Public Housing Capital Fund	U.S. Department of Housing and Urban Development
Section 8 Housing Choice Vouchers	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>
Public Housing Capital Fund	Modernization
Section 8 Housing Choice Vouchers	Housing assistance payment

For the year ended December 31, 2019, 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, 2019

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, 2019, the Authority had the following cash deposits:

Cash deposits	\$	439,466
Certificate of deposit		<u>136,881</u>
Total	\$	<u><u>576,347</u></u>

Following is a reconciliation of the Authority's deposit balances as of December 31, 2019:

Cash and cash equivalents	\$	372,831
Restricted assets		66,635
Investments		<u>136,881</u>
Total	\$	<u><u>576,347</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, 2019, the Authority's bank balances of \$452,578 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, 2019, the Authority's investment balance of \$136,881 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, 2019

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, 2019, 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	\$ 27,943	10/2/2020
Certificate of Deposit	<u>108,938</u>	1/29/2020
Total	<u>\$ 136,881</u>	

3B. Restricted Assets

Restricted assets at December 31, 2019 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	\$ 33,511	\$ ---	\$ ---	\$ 33,511
HAP - HCV	1,032	---	---	1,032
HAP – S&L (IHCDA)	6,521	---	---	6,521
FSS Escrow	<u>25,571</u>	<u>---</u>	<u>---</u>	<u>25,571</u>
Total	<u>\$ 66,635</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 66,635</u>

3C. Accounts Receivable - Current

Receivables at December 31, 2019 consist of the following:

Fraud recovery	\$ 10,554
Less: Allowance for doubtful account	<u>(3,936)</u>
Accounts receivable - net of allowance	6,618
Tenants	57
Accrued interest receivable	<u>105</u>
Total receivables, net of allowance	<u>\$ 6,780</u>

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2019

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

3D. Inventory

Inventory at December 31, 2019 comprised of the following:

Inventory	\$	2,822
Less: Allowance for obsolete inventory		<u>(207)</u>
Inventory - net of allowance	\$	<u>2,615</u>

3E. Capital Assets

A summary of capital asset activity for the year ended December 31, 2019 is as follows:

	<u>Balance January 1, 2019</u>	<u>Additions</u>	<u>(Retirement)</u>	<u>Balance December 31, 2019</u>
Non-depreciable assets:				
Land	\$ 609,137	\$ -	\$ -	\$ 609,137
Construction in progress	<u>-</u>	<u>7,106</u>	<u>-</u>	<u>7,106</u>
Total non-depreciable assets	<u>609,137</u>	<u>7,106</u>	<u>-</u>	<u>616,243</u>
Depreciable assets:				
Building	5,457,301	-	-	5,457,301
Equipment - dwelling	145,441	-	(523)	144,918
Equipment - administration	<u>228,791</u>	<u>3,153</u>	<u>(619)</u>	<u>231,325</u>
Total depreciable assets	5,831,533	3,153	(1,142)	5,833,544
Accumulated depreciation	<u>(4,106,942)</u>	<u>(206,644)</u>	<u>1,142</u>	<u>(4,312,444)</u>
Total depreciable assets, net	<u>1,724,591</u>	<u>(203,491)</u>	<u>-</u>	<u>1,521,100</u>
Capital assets, net	<u>\$ 2,333,728</u>	<u>\$ (196,385)</u>	<u>\$ -</u>	<u>\$ 2,137,343</u>

Depreciation expense is charged to programs as follows:

	<u>Business-type Activities</u>
Public and Indian Housing	\$ 206,480
HCV	<u>164</u>
Total depreciation expense	<u>\$ 206,644</u>

3F. Accounts Payable

Accounts payable at December 31, 2019 consist of the following:

PILOT	\$ <u>21,327</u>
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HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2019

NOTE 4 – OTHER NOTES - (Continued)

4A. Employee Pension Plan – (Continued)

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, 2019:

Total payroll	\$	212,992
Total payroll for eligible participants	\$	212,037
Employer contributions made	\$	21,203

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.

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2019

NOTE 4 – OTHER NOTES - (Continued)

4D. Commitments - Construction

At December 31, 2019, the Authority had the following pending Capital Fund project in progress:

	Funds Approved	Funds Expended - Project to Date
CFP 501-17	\$ 117,386	18,640
CFP 501-18	181,037	5,852
	<u>\$ 298,423</u>	<u>\$ 24,492</u>

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, extraordinary maintenance and HAP expense and includes capital contribution and investment income in operating activities, which differs from the presentation of basic financial statements.

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.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Authority's operations. Future potential impacts may include disruptions or restrictions on our employees' ability to work or the tenants ability to pay the required monthly rent. Operating functions that may be changed include intake, recertifications and maintenance. Changes to the operating environment may increase operating costs. Additional impacts may include the ability of tenants to continue making rental payments as a result of job loss or other pandemic related issues. The future effects of these issues are unknown.

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 2020 federal budget.

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2019

Federal Grantor	Federal CFDA #	Total Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
Public and Indian Housing	14.850	\$ 154,181
Public Housing Capital Fund	14.872	24,492
Voucher Cluster:		
Section 8 Housing Choice Vouchers	14.871	719,450
Section 8 Housing Choice Vouchers - IHEDA (Pass through)	14.871	285,903
		<hr/>
Total Expenditures of Federal Awards		\$ <u>1,184,026</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, 2019. 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 not 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, 2019

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$279,630		\$93,201	\$372,831		\$372,831
113 Cash - Other Restricted		\$26,603	\$6,521	\$33,124		\$33,124
114 Cash - Tenant Security Deposits	\$33,511			\$33,511		\$33,511
100 Total Cash	\$313,141	\$26,603	\$99,722	\$439,466		\$439,466
126 Accounts Receivable - Tenants	\$57			\$57		\$57
128 Fraud Recovery		\$10,554		\$10,554		\$10,554
128.1 Allowance for Doubtful Accounts - Fraud		-\$3,936		-\$3,936		-\$3,936
129 Accrued Interest Receivable	\$105			\$105		\$105
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$162	\$6,618	\$0	\$6,780		\$6,780
131 Investments - Unrestricted	\$136,881			\$136,881		\$136,881
142 Prepaid Expenses and Other Assets	\$5,585	\$2,105		\$7,690		\$7,690
143 Inventories	\$2,296	\$526		\$2,822		\$2,822
143.1 Allowance for Obsolete Inventories	-\$207	\$0		-\$207		-\$207
150 Total Current Assets	\$457,858	\$35,852	\$99,722	\$593,432		\$593,432
161 Land	\$609,137			\$609,137		\$609,137
162 Buildings	\$5,457,301			\$5,457,301		\$5,457,301
163 Furniture, Equipment & Machinery - Dwellings	\$144,918			\$144,918		\$144,918
164 Furniture, Equipment & Machinery - Administration	\$192,251	\$39,074		\$231,325		\$231,325
166 Accumulated Depreciation	\$4,273,384	-\$39,060		\$4,312,444		\$4,312,444
167 Construction in Progress	\$7,106			\$7,106		\$7,106
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,137,329	\$14	\$0	\$2,137,343		\$2,137,343
180 Total Non-Current Assets	\$2,137,329	\$14	\$0	\$2,137,343		\$2,137,343
290 Total Assets and Deferred Outflow of Resources	\$2,595,187	\$35,866	\$99,722	\$2,730,775		\$2,730,775
333 Accounts Payable - Other Government	\$21,327			\$21,327		\$21,327
341 Tenant Security Deposits	\$33,511			\$33,511		\$33,511
342 Unearned Revenue	\$220			\$220		\$220
310 Total Current Liabilities	\$55,058	\$0	\$0	\$55,058		\$55,058
353 Non-current Liabilities - Other		\$25,751		\$25,751		\$25,751
350 Total Non-Current Liabilities	\$0	\$25,751	\$0	\$25,751		\$25,751
300 Total Liabilities	\$55,058	\$25,751	\$0	\$80,809		\$80,809
508.4 Net Investment in Capital Assets	\$2,137,329	\$14	\$0	\$2,137,343		\$2,137,343
511.4 Restricted Net Position	\$0	\$5,433	\$6,521	\$11,954		\$11,954
512.4 Unrestricted Net Position	\$402,800	\$4,668	\$93,201	\$500,669		\$500,669
513 Total Equity - Net Assets / Position	\$2,540,129	\$10,115	\$99,722	\$2,649,966		\$2,649,966
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$2,595,187	\$35,866	\$99,722	\$2,730,775		\$2,730,775

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2019

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$269,147			\$269,147		\$269,147
70400 Tenant Revenue - Other	\$16,204			\$16,204		\$16,204
70500 Total Tenant Revenue	\$285,351	\$0	\$0	\$285,351	\$0	\$285,351
70600 HUD PHA Operating Grants	\$171,567	\$719,450		\$891,017		\$891,017
70610 Capital Grants	\$7,106			\$7,106		\$7,106
70800 Other Government Grants			\$285,903	\$285,903		\$285,903
71100 Investment Income - Unrestricted	\$4,956	\$41	\$2,289	\$7,286		\$7,286
71400 Fraud Recovery		\$19,610		\$19,610		\$19,610
71500 Other Revenue	\$4,667	\$361		\$5,028		\$5,028
70000 Total Revenue	\$473,647	\$739,462	\$288,192	\$1,501,301	\$0	\$1,501,301
91100 Administrative Salaries	\$82,546	\$56,629	\$12,482	\$151,657		\$151,657
91200 Auditing Fees	\$2,635	\$3,432	\$1,003	\$7,070		\$7,070
91400 Advertising and Marketing	\$18			\$18		\$18
91500 Employee Benefit contributions - Administrative	\$79,254	\$23,508	\$2,203	\$104,965		\$104,965
91600 Office Expenses	\$18,556	\$3,000	\$2,691	\$24,247		\$24,247
91900 Other	\$9,256	\$8,434	\$169	\$17,859		\$17,859
91000 Total Operating - Administrative	\$192,265	\$95,003	\$18,548	\$305,816	\$0	\$305,816
92100 Tenant Services - Salaries	\$955			\$955		\$955
92300 Employee Benefit Contributions - Tenant Services	\$73			\$73		\$73
92400 Tenant Services - Other	\$1,217			\$1,217		\$1,217
92500 Total Tenant Services	\$2,245	\$0	\$0	\$2,245	\$0	\$2,245
93100 Water	\$9,183			\$9,183		\$9,183
93200 Electricity	\$23,724			\$23,724		\$23,724
93600 Sewer	\$19,818			\$19,818		\$19,818
93800 Other Utilities Expense	\$3,150			\$3,150		\$3,150
93000 Total Utilities	\$55,875	\$0	\$0	\$55,875	\$0	\$55,875
94100 Ordinary Maintenance and Operations - Labor	\$55,598			\$55,598		\$55,598
94200 Ordinary Maintenance and Operations - Materials and Other	\$11,619		\$996	\$12,615		\$12,615
94300 Ordinary Maintenance and Operations Contracts	\$15,598			\$15,598		\$15,598
94500 Employee Benefit Contributions - Ordinary Maintenance	\$28,586			\$28,586		\$28,586
94000 Total Maintenance	\$111,401	\$0	\$996	\$112,397	\$0	\$112,397
96110 Property Insurance	\$29,071			\$29,071		\$29,071
96120 Liability Insurance	\$3,607			\$3,607		\$3,607
96130 Workmen's Compensation	\$3,940	\$790		\$4,730		\$4,730
96140 All Other Insurance	\$7,616	\$3,012	\$1,523	\$12,151		\$12,151
96100 Total insurance Premiums	\$44,234	\$3,802	\$1,523	\$49,559	\$0	\$49,559

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2019

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
96200 Other General Expenses	\$75	\$1,023		\$1,098		\$1,098
96300 Payments in Lieu of Taxes	\$21,327			\$21,327		\$21,327
96400 Bad debt - Tenant Rents		\$7,662		\$7,662		\$7,662
96000 Total Other General Expenses	\$21,402	\$8,685	\$0	\$30,087	\$0	\$30,087
96900 Total Operating Expenses	\$427,422	\$107,490	\$21,067	\$555,979	\$0	\$555,979
97000 Excess of Operating Revenue over Operating Expenses	\$46,225	\$631,972	\$267,125	\$945,322	\$0	\$945,322
97100 Extraordinary Maintenance	\$509			\$509		\$509
97300 Housing Assistance Payments		\$659,719	\$262,546	\$922,265		\$922,265
97400 Depreciation Expense	\$206,480	\$164		\$206,644		\$206,644
90000 Total Expenses	\$634,411	\$767,373	\$283,613	\$1,685,397	\$0	\$1,685,397
10010 Operating Transfer In	\$17,386	\$20,000		\$37,386	-\$37,386	\$0
10020 Operating transfer Out	-\$17,386		-\$20,000	-\$37,386	\$37,386	\$0
10100 Total Other financing Sources (Uses)	\$0	\$20,000	-\$20,000	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$160,764	-\$7,911	-\$15,421	-\$184,096	\$0	-\$184,096
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$2,700,893	\$18,026	\$115,143	\$2,834,062		\$2,834,062
11170 Administrative Fee Equity		\$4,682		\$4,682		\$4,682
11180 Housing Assistance Payments Equity		\$5,433		\$5,433		\$5,433
11190 Unit Months Available	1248	2138	625	4011		4011
11210 Number of Unit Months Leased	1184	1753	625	3562		3562
11270 Excess Cash	\$359,508			\$359,508		\$359,508
11620 Building Purchases	\$7,106			\$7,106		\$7,106
11640 Furniture & Equipment - Administrative Purchases	\$3,153			\$3,153		\$3,153

**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, 2019, 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 30, 2020.

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 30, 2020

**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, 2019. 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 Authority, 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, 2019.

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 30, 2020

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
<u>Internal control over financial reporting:</u>	
➤ Material weakness(es) identified?	No
➤ Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

<u>Internal control over major programs:</u>	
➤ Material weakness(es) identified?	No
➤ Significant deficiency(ies) identified?	None reported
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
<u>Identification of Major programs:</u>	
➤ CFDA #14.871 Section 8 Housing Choice Vouchers	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

The current audit report for the year ended December 31, 2019 disclosed no Financial Statement audit finding.

Section III - Federal Award Findings and Questioned Costs

The current audit report for the year ended December 31, 2019 disclosed no Federal Awards audit finding and questioned costs.