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August 5, 2022

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, 2021 to December 31, 2021. 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, 2021 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 cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy 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, 2021

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Audit Solutions, LLC.

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Authority and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

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 is the responsibility of management and, 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 opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Financial Data Schedule, PHA's Statement of Certification of Actual Modernization Cost and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, PHA's Statement of Certification of Actual Modernization Cost 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 July 26, 2022, 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 solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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

July 26, 2022

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

December 31, 2021

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, 2021. 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 4.

FINANCIAL HIGHLIGHTS:

- The assets of the PHA exceed its liabilities as of December 31, 2021, by \$2,577,594 (Net Position).
- The PHA's net investment in capital assets as of December 31, 2021, was \$1,951,885.
- The PHA's total revenue for the fiscal year end December 31, 2021, was \$1,555,504.
- The PHA's total expenses for the fiscal year end December 31, 2021, were \$1,688,060.
- Therefore, the PHA's total combined expenses exceeded its total combined income by \$132,556.

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>2021</u>	<u>2020</u>	<u>Change</u>	<u>%-Change</u>
Current Assets	\$691,702	\$731,626	(\$39,924)	-5%
Capital Assets, Net	\$1,951,885	\$2,119,735	(\$167,850)	-8%
Total Assets	<u>\$2,643,587</u>	<u>\$2,851,361</u>	<u>(\$207,774)</u>	<u>-7%</u>
Current Liabilities	\$65,308	\$133,556	(\$68,248)	-51%
Non-Current Liabilities	\$685	\$7,655	(\$6,970)	-91%
Total Liabilities	<u>\$65,993</u>	<u>\$141,211</u>	<u>(\$75,218)</u>	<u>-53%</u>

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2021

ANALYSIS OF FINANCIAL STATEMENTS – (Continued):

Statement of Net Position – (Continued)
December 31,

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>%-Change</u>
Net Position:				
Net Investment in Capital Assets	\$1,951,885	\$2,119,735	(\$167,850)	-8%
Restricted Net Position	\$17,929	\$63,626	(\$45,697)	-72%
Unrestricted Net Position	<u>\$607,780</u>	<u>\$526,789</u>	<u>\$80,991</u>	<u>15%</u>
Total Net Position	<u>\$2,577,594</u>	<u>\$2,710,150</u>	<u>(\$132,556)</u>	<u>-5%</u>

- The decrease in cash and investments is due to the ending of Cares Funding in 2021.
- The decrease in capital assets is due to current year depreciation.
- The decrease in current liabilities is due to a decrease in unearned revenue for Cares Funding.
- The decrease in non-current liabilities is due to a decrease in FSS escrow.
- The decrease in restricted net position is due to a decrease in restricted HAP funds held at year end.
- 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.

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2021

ANALYSIS OF STATEMENT OF ACTIVITIES
PRIOR AND CURRENT FISCAL YEAR:

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

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>%-Change</u>
Revenue:				
Tenant Revenue	\$284,083	\$276,291	\$7,792	3%
Federal Grants & Subsidy	\$1,258,782	\$1,468,865	(\$210,083)	-14%
Investment Income	\$1,581	\$3,631	(\$2,050)	-56%
Other Income	\$11,058	\$33,203	(\$22,145)	-67%
Gain/Loss on Sale of Fixed Assets	\$0	(\$706)	\$706	-100%
Total Revenue	<u>\$1,555,504</u>	<u>\$1,781,284</u>	<u>(\$225,780)</u>	<u>-13%</u>
Expenses:				
Administrative	\$291,923	\$288,881	\$3,042	1%
Tenant Services	\$17,150	\$42,315	(\$25,165)	-59%
Utilities	\$55,286	\$54,326	\$960	2%
Routine Maintenance	\$125,284	\$120,205	\$5,079	4%
General Expenses	\$55,559	\$71,007	(\$15,448)	-22%
Non-Routine Expenses	\$3,012	\$0	\$3,012	100%
Housing Assistance Payments	\$937,632	\$944,191	(\$6,559)	-1%
Depreciation	\$202,214	\$200,175	\$2,039	1%
Total Operating Expenses	<u>\$1,688,060</u>	<u>\$1,721,100</u>	<u>(\$33,040)</u>	<u>-2%</u>
Increase (Decrease) in Net Position	<u>(\$132,556)</u>	<u>\$60,184</u>	<u>(\$192,740)</u>	<u>-320%</u>

- The decrease in Federal Grants and Subsidy is due to the decrease in Voucher, CFP and Operating Subsidy receipts.
- The decrease in Other Income is due to FSS forfeiture and Comcast proceeds in 2020 not received in 2021.
- The decrease in Tenant Services is due to a decrease in Cares related salaries/benefits.
- The increase in Routine Maintenance costs is related to an increase in wages and benefits.
- The decrease in General Expenses is due to a decrease in insurance premiums.
- The decrease in housing assistance payments is due to decreased leasing for the year.

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2021

BUDGETARY HIGHLIGHTS

Low-Rent Public Housing (Operations Only)

CAPITAL ASSETS & LONG-TERM DEBT ACTIVITY DURING THE YEAR

Capital Assets at Year End				
(Net of Accumulated Depreciation)				
December 31,				
	2021	2020	Change	%-Change
Land	\$609,137	\$609,137	\$0	0%
Buildings	\$5,645,804	\$5,474,851	\$170,953	3%
Equipment - dwellings	\$141,813	\$143,709	(\$1,896)	-1%
Equipment - administration	\$237,732	\$229,282	\$8,450	4%
Construction in progress	\$18,996	\$167,768	(\$148,772)	-89%
Subtotal	\$6,653,482	\$6,624,747	\$28,735	0%
Accumulated depreciation	(\$4,701,597)	(\$4,505,012)	(\$196,585)	4%
Net Capital Assets	\$1,951,885	\$2,119,735	(\$167,850)	-8%

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

- Low Rent Program: three washers/dryers, one copier
- Voucher: No purchases
- Additional information regarding capital assets can be found in “Notes to the Financial Statements”

FUTURE EVENTS (NEW BUSINESS)

State/Local Voucher program ended at end of 2021

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 Mike Garretson, 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, 2021

ASSETS

Current Assets:

Cash and cash equivalents	\$	627,228
Cash - restricted		51,534
Receivables - net of allowances		2,547
Inventory - net of allowances		3,503
Prepaid expenses		<u>6,890</u>

Total Current Assets 691,702

Non-current Assets:

Capital assets:

Land and construction in progress		628,133
Other capital assets, net of depreciation		<u>1,323,752</u>

Total capital assets - net 1,951,885

Total Non-current Assets 1,951,885

Total Assets \$ 2,643,587

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

STATEMENT OF NET POSITION - (Continued)
December 31, 2021

LIABILITIES

Current Liabilities:

Accounts payable	\$	21,271
Accrued salaries and benefits		11,067
Tenant security deposit liability		32,920
Unearned revenues		<u>50</u>

Total Current Liabilities 65,308

Non-current Liabilities:

Non-current liabilities - Other		<u>685</u>
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Total Non-current Liabilities 685

Total Liabilities 65,993

NET POSITION

Net investment in capital assets		1,951,885
Restricted		17,929
Unrestricted		<u>607,780</u>

Total Net Position 2,577,594

Total Liabilities and Net Position \$ 2,643,587

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, 2021

OPERATING REVENUES	
Tenant revenue	\$ 284,083
Governmental grants and subsidy	1,236,601
Miscellaneous	<u>11,058</u>
 Total operating revenue	 <u>1,531,742</u>
 OPERATING EXPENSES	
Administrative	291,923
Tenant services	17,150
Utilities	55,286
Ordinary maintenance and operations	125,284
Insurance	33,886
General	21,673
Non routine maintenance	3,012
Housing assistance payment	937,632
Depreciation expense	<u>202,214</u>
 Total operating expenses	 <u>1,688,060</u>
 Operating income (loss)	 <u>(156,318)</u>
 NON-OPERATING REVENUES (EXPENSES)	
Investment income	<u>1,581</u>
 Net non-operating revenues (expenses)	 <u>1,581</u>
 Income (loss) before contributions and transfers	 <u>(154,737)</u>
 Capital contributions	 <u>22,181</u>
 Change in net position	 (132,556)
Total net position - beginning of year	<u>2,710,150</u>
 Total net position - end of year	 \$ <u><u>2,577,594</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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Received from tenants	\$ 285,825
Received from governmental grants and subsidy	1,188,850
Received from other operating activities	15,704
Payments for goods and services	(159,798)
Payments to employees	(363,743)
Payment in lieu of taxes	(20,676)
Payment for housing assistance	<u>(937,632)</u>

Net cash provided by (used in) operating activities 8,530

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from capital contributions	22,181
Purchases of capital assets	(34,364)
Receipts (payments) from deferred credits and escrow deposits	<u>(6,970)</u>

Net cash provided by (used in) capital and related financing activities (19,153)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds (payments) from sale (purchase) of investments	110,417
Receipts of interest and dividends	<u>1,581</u>

Net cash provided by (used in) investing activities 111,998

Net increase (decrease) in cash and cash equivalents	101,375
Cash and cash equivalents at beginning of year	<u>577,387</u>

Cash and cash equivalents at end of year	<u><u>\$ 678,762</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, 2021

Reconciliation of operating income (loss) to net cash provided (used) by operating activities

Operating income (loss)	\$	(156,318)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		202,214
Change in assets and liabilities:		
Receivables, net		29,704
Inventories, net		591
Prepaid expenses		587
Accounts and other payables		595
Tenant security deposit		1,773
Unearned revenues		(72,840)
Accrued expenses		<u>2,224</u>
Net cash provided by (used) by operating activities	\$	<u><u>8,530</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, 2021

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, 2021

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.

Public Housing and HCV CARES Act - The CARES Act provides funding to prevent, prepare for, and respond to COVID-19, and to maintain normal operations and take other necessary actions during the period the program is impacted by the pandemic.

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, 2021

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 balance consists of tenant fraud recovery and miscellaneous.

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, 2021

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 Public and Indian Housing program and restricted HAP and FSS fund under Housing Choice Vouchers 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. The statement of net position of the Authority reports \$17,929 of restricted net position which consists entirely of Section Housing Choice Voucher and IHEDA HAP reserves.
- 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.

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2021

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

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.

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
Public Housing CARES Act	U.S. Department of Housing and Urban Development
HCV CARES Act	U.S. Department of Housing and Urban Development

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.

HOUSING AUTHORITY OF THE CITY OF PERU
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2021

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (CONTINUED)

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
Public Housing and HCV CARES Act	COVID related expenses

For the year ended December 31, 2021, the Authority complied, in all material respects, with these revenue restrictions.

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

As of December 31, 2021, the Authority had the following cash deposits:

Cash deposits	\$ <u>678,762</u>
Total	\$ <u><u>678,762</u></u>

Following is a reconciliation of the Authority's deposit balances as of December 31, 2021:

Cash and cash equivalents	\$ 627,228
Restricted assets	<u>51,534</u>
Total	\$ <u><u>678,762</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, 2021, the Authority's bank balances of \$710,364 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.

HOUSING AUTHORITY OF THE CITY OF PERU
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2021

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

3B. Restricted Assets

Restricted assets at December 31, 2021 consist of the following:

Type of Restricted Assets	Cash Including Time Deposits	Investments	Accrued Interest	Total
Security deposit	\$ 32,920	\$ ---	\$ ---	\$ 32,920
HAP - HCV	11,002	---	---	11,002
HAP – S&L (IHCDA)	6,927	---	---	6,927
FSS Escrow	685	---	---	685
 Total	 \$ 51,534	 \$ ---	 \$ ---	 \$ 51,534

3C. Accounts Receivable - Current

Receivables at December 31, 2021 consist of the following:

Fraud recovery	\$ 6,275
Less: Allowance for doubtful account	(3,925)
Accounts receivable - net of allowance	2,350
Accounts Receivable Miscellaneous	197
 Total receivables, net of allowance	 \$ 2,547

3D. Inventory

Inventory at December 31, 2021 comprised of the following:

Inventory	\$ 3,716
Less: Allowance for obsolete inventory	(213)
 Inventory - net of allowance	 \$ 3,503

HOUSING AUTHORITY OF THE CITY OF PERU
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2021

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

3E. Capital Assets

A summary of capital asset activity for the year ended December 31, 2021 is as follows:

	Balance January 1, 2021	Additions	(Retirement)	Reclass/ Transfers in (out)	Balance December 31, 2021
Non-depreciable assets:					
Land	\$ 609,137	\$ -	\$ -	\$ -	\$ 609,137
Construction in progress	167,768	-	-	(148,772)	18,996
Total non-depreciable assets	<u>776,905</u>	<u>-</u>	<u>-</u>	<u>(148,772)</u>	<u>628,133</u>
Depreciable assets:					
Building	5,474,851	22,181	-	148,772	5,645,804
Equipment - dwelling	143,709	-	(1,896)	-	141,813
Equipment - administration	229,282	12,183	(3,733)	-	237,732
Total depreciable assets	<u>5,847,842</u>	<u>34,364</u>	<u>(5,629)</u>	<u>148,772</u>	<u>6,025,349</u>
Accumulated depreciation	<u>(4,505,012)</u>	<u>(202,214)</u>	<u>5,629</u>	<u>-</u>	<u>(4,701,597)</u>
Total depreciable assets, net	<u>1,342,830</u>	<u>(167,850)</u>	<u>-</u>	<u>148,772</u>	<u>1,323,752</u>
Capital assets, net	<u>\$ 2,119,735</u>	<u>\$ (167,850)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,951,885</u>

Depreciation expense is charged to programs as follows:

<u>Business-type Activities</u>	
Public and Indian Housing	\$ 201,044
Public Housing Capital Fund	<u>1,170</u>
Total depreciation expense	<u>\$ 202,214</u>

3F. Accounts Payable

Accounts payable at December 31, 2021 consist of the following:

PILOT	<u>\$ 21,271</u>
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3G. Non-Current Liabilities

Non-current liabilities at December 31, 2021 consist of the following:

FSS Escrow	<u>\$ 685</u>
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HOUSING AUTHORITY OF THE CITY OF PERU
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2021

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

3G. Non-Current Liabilities – (Continued)

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

Description	Balance Jan 1, 2021	Additions	Deductions	Balance Dec 31, 2021	Amounts Due within One Year
FSS Escrow	\$ <u>7,655</u>	\$ <u>---</u>	\$ <u>6,970</u>	\$ <u>685</u>	\$ <u>---</u>

3H. Inter-program Transactions and Balances

Operating Transfers

Transfers are used to move revenues from one program to the other program in accordance with the budgetary authorizations.

	Transfers In	Transfers Out
Public and Indian Housing	\$ 40,540	\$ -
Public Housing Capital Funds	-	(40,540)
Total	\$ <u>40,540</u>	\$ <u>(40,540)</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.

HOUSING AUTHORITY OF THE CITY OF PERU
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2021

NOTE 4 – OTHER NOTES - (CONTINUED)

4A. Employee Pension Plan – (Continued)

The following information related to the plan at December 31, 2021:

Total payroll	\$	235,567
Total payroll for eligible participants	\$	220,580
Employer contributions made	\$	22,058

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 Property-Owners Insurance Co.
b. Injuries to employees (workers' compensation)	Purchased insurance with Property-Owners 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.

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, 2021, the Authority had the following pending project in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CARES-HCV	\$ 101,351	\$ 101,351
CFP 501-18	181,037	125,957
CFP 501-19	189,520	23,481

HOUSING AUTHORITY OF THE CITY OF PERU
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NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2021

NOTE 4 – OTHER NOTES - (CONTINUED)

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.

Management evaluated the activity of the Authority through July 26, 2022 and concluded that no additional subsequent events have occurred that would require adjustment to or disclosures within these financial statements except for the one noted above.

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 2022 federal budget.

HOUSING AUTHORITY OF THE CITY OF PERU
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2021

<u>Federal Grantor</u>	<u>Assistance Listings Number</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Public and Indian Housing	14.850	\$ <u>191,518</u>
Public Housing Capital Fund	14.872	<u>62,721</u>
Voucher Cluster:		
Section 8 Housing Choice Vouchers	14.871	739,126
Section 8 Housing Choice Vouchers - Cares Act	14.871	55,746
Section 8 Housing Choice Vouchers - IHEDA (flow through)	14.871	<u>209,671</u>
		<u>1,004,543</u>
Total Expenditures of Federal Awards		\$ <u><u>1,258,782</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, 2021. 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
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PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST
Year Ended December 31, 2021

1. Actual Capital Fund Program costs are as follows:

	<u>501-17</u>
Funds approved	\$ 117,386
Funds expended	<u>117,386</u>
Excess of Funds Approved	<u><u>\$ ---</u></u>
Funds advanced	\$ 117,386
Funds expended	<u>117,386</u>
Excess (deficiency) of Funds Advanced	<u><u>\$ ---</u></u>

2. The costs as shown on the Actual Cost Certificate dated June 16, 2021 submitted to HUD for approval is in agreement with the Authority's records as of December 31, 2021.
3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF THE CITY OF PERU
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FINANCIAL DATA SCHEDULE
Year Ended December 31, 2021

	Project Total	2. State/Local	14.871 Housing Choice Vouchers	14. HCC HCV CARES Act Funding	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$497,463	\$80,077	\$49,688		\$627,228		\$627,228
113 Cash - Other Restricted		\$6,927	\$11,687		\$18,614		\$18,614
114 Cash - Tenant Security Deposits	\$32,920				\$32,920		\$32,920
100 Total Cash	\$530,383	\$87,004	\$61,375		\$678,762		\$678,762
125 Accounts Receivable - Miscellaneous	\$197				\$197		\$197
128 Fraud Recovery			\$6,275		\$6,275		\$6,275
128.1 Allowance for Doubtful Accounts - Fraud			-\$3,925		-\$3,925		-\$3,925
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$197		\$2,350		\$2,547		\$2,547
142 Prepaid Expenses and Other Assets	\$4,719		\$2,171		\$6,890		\$6,890
143 Inventories	\$2,978		\$738		\$3,716		\$3,716
143.1 Allowance for Obsolete Inventories	-\$213		\$0		-\$213		-\$213
150 Total Current Assets	\$538,064	\$87,004	\$66,634		\$691,702		\$691,702
161 Land	\$609,137				\$609,137		\$609,137
162 Buildings	\$5,645,804				\$5,645,804		\$5,645,804
163 Furniture, Equipment & Machinery - Dwellings	\$141,813				\$141,813		\$141,813
164 Furniture, Equipment & Machinery - Administration	\$200,186		\$37,546		\$237,732		\$237,732
166 Accumulated Depreciation	-\$4,664,051		-\$37,546		-\$4,701,597		-\$4,701,597
167 Construction in Progress	\$18,996				\$18,996		\$18,996
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,951,885				\$1,951,885		\$1,951,885
180 Total Non-Current Assets	\$1,951,885				\$1,951,885		\$1,951,885
290 Total Assets and Deferred Outflow of Resources	\$2,489,949	\$87,004	\$66,634		\$2,643,587		\$2,643,587

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2021

	Project Total	2 State/Local	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
321 Accrued Wage/Payroll Taxes Payable	\$8,970		\$2,097		\$11,067		\$11,067
333 Accounts Payable - Other Government	\$21,271				\$21,271		\$21,271
341 Tenant Security Deposits	\$32,920				\$32,920		\$32,920
342 Unearned Revenue	\$50				\$50		\$50
310 Total Current Liabilities	\$63,211		\$2,097		\$65,308		\$65,308
353 Non-current Liabilities - Other			\$685		\$685		\$685
350 Total Non-Current Liabilities			\$685		\$685		\$685
300 Total Liabilities	\$63,211		\$2,782		\$65,993		\$65,993
508.4 Net Investment in Capital Assets	\$1,951,885				\$1,951,885		\$1,951,885
511.4 Restricted Net Position		\$6,927	\$11,002		\$17,929		\$17,929
512.4 Unrestricted Net Position	\$474,853	\$80,077	\$52,850		\$607,780		\$607,780
513 Total Equity - Net Assets / Position	\$2,426,738	\$87,004	\$63,852		\$2,577,594		\$2,577,594
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$2,489,949	\$87,004	\$66,634		\$2,643,587		\$2,643,587

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2021

	Project Total	2. State/Local	14.871 Housing Choice Vouchers	14. HCC HCV CARES Act Funding	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$267,998				\$267,998		\$267,998
70400 Tenant Revenue - Other	\$16,085				\$16,085		\$16,085
70500 Total Tenant Revenue	\$284,083				\$284,083		\$284,083
70600 HUD PHA Operating Grants	\$232,058		\$739,126	\$55,746	\$1,026,930		\$1,026,930
70610 Capital Grants	\$22,181				\$22,181		\$22,181
70800 Other Government Grants		\$209,671			\$209,671		\$209,671
71100 Investment Income - Unrestricted	\$1,360	\$65	\$156		\$1,581		\$1,581
71400 Fraud Recovery			\$3,568		\$3,568		\$3,568
71500 Other Revenue	\$339	\$1	\$7,150		\$7,490		\$7,490
70000 Total Revenue	\$540,021	\$209,737	\$750,000	\$55,746	\$1,555,504		\$1,555,504
91100 Administrative Salaries	\$117,331	\$24,216	\$15,096		\$156,643		\$156,643
91200 Auditing Fees	\$2,890	\$1,195	\$3,845		\$7,930		\$7,930
91500 Employee Benefit contributions - Administrative	\$76,536	\$3,749	\$13,997		\$94,282		\$94,282
91600 Office Expenses	\$5,930	\$1,418	\$2,771		\$10,119		\$10,119
91700 Legal Expense	\$697				\$697		\$697
91900 Other	\$13,727		\$8,525		\$22,252		\$22,252
91000 Total Operating - Administrative	\$217,111	\$30,578	\$44,234		\$291,923		\$291,923
92100 Tenant Services - Salaries	\$1,200			\$9,255	\$10,455		\$10,455
92300 Employee Benefit Contributions - Tenant Services	\$92			\$5,154	\$5,246		\$5,246
92400 Tenant Services - Other	\$599			\$850	\$1,449		\$1,449
92500 Total Tenant Services	\$1,891			\$15,259	\$17,150		\$17,150

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2021

	Project Total	2. State/Local	14.871 Housing Choice Vouchers	14. HCC HCV CARES Act Funding	Subtotal	ELIM	Total
93100 Water	\$9,421				\$9,421		\$9,421
93200 Electricity	\$23,075				\$23,075		\$23,075
93600 Sewer	\$19,640				\$19,640		\$19,640
93800 Other Utilities Expense	\$3,150				\$3,150		\$3,150
93000 Total Utilities	\$55,286				\$55,286		\$55,286
94100 Ordinary Maintenance and Operations - Labor	\$70,483				\$70,483		\$70,483
94200 Ordinary Maintenance and Operations - Materials and Other	\$11,316	\$668			\$11,984		\$11,984
94300 Ordinary Maintenance and Operations Contracts	\$13,959				\$13,959		\$13,959
94500 Employee Benefit Contributions - Ordinary Maintenance	\$28,858				\$28,858		\$28,858
94000 Total Maintenance	\$124,616	\$668			\$125,284		\$125,284
96110 Property Insurance	\$19,697				\$19,697		\$19,697
96120 Liability Insurance	\$3,306				\$3,306		\$3,306
96130 Workmen's Compensation	\$2,377		\$465		\$2,842		\$2,842
96140 All Other Insurance	\$4,666	\$784	\$2,591		\$8,041		\$8,041
96100 Total insurance Premiums	\$30,046	\$784	\$3,056		\$33,886		\$33,886
96200 Other General Expenses			\$402		\$402		\$402
96300 Payments in Lieu of Taxes	\$21,271				\$21,271		\$21,271
96000 Total Other General Expenses	\$21,271		\$402		\$21,673		\$21,673
96900 Total Operating Expenses	\$450,221	\$32,030	\$47,692	\$15,259	\$545,202		\$545,202
97000 Excess of Operating Revenue over Operating Expenses	\$89,800	\$177,707	\$702,308	\$40,487	\$1,010,302		\$1,010,302

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2021

	Project Total	2. State/Local	14.871 Housing Choice Vouchers	14. HCC HCV CARES Act Funding	Subtotal	ELIM	Total
97100 Extraordinary Maintenance	\$3,012				\$3,012		\$3,012
97300 Housing Assistance Payments		\$187,614	\$709,531	\$40,487	\$937,632		\$937,632
97400 Depreciation Expense	\$202,214				\$202,214		\$202,214
90000 Total Expenses	\$655,447	\$219,644	\$757,223	\$55,746	\$1,688,060		\$1,688,060
10010 Operating Transfer In	\$40,540				\$40,540	-\$40,540	
10020 Operating transfer Out	-\$40,540				-\$40,540	\$40,540	
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$115,426	-\$9,907	-\$7,223		-\$132,556		-\$132,556
11030 Beginning Equity	\$2,542,164	\$96,911	\$71,075		\$2,710,150		\$2,710,150
11170 Administrative Fee Equity			\$52,850		\$52,850		\$52,850
11180 Housing Assistance Payments Equity			\$11,002		\$11,002		\$11,002
11190 Unit Months Available	1236	720	1995		3951		3951
11210 Number of Unit Months Leased	1095	482	1904		3481		3481
11270 Excess Cash	\$429,851				\$429,851		\$429,851
11620 Building Purchases	\$22,181				\$22,181		\$22,181
11640 Furniture & Equipment - Administrative Purchases	\$12,183				\$12,183		\$12,183



Audit Solutions, LLC.

Certified Public Accountant

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 of 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, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated July 26, 2022.

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

July 26, 2022



Audit Solutions, LLC.

Certified Public Accountant

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 of Peru
Peru, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

I have audited Housing Authority of the City of Peru (Authority), Indiana's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Authority's major federal programs for the year ended December 31, 2021. 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.

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, 2021.

Basis for Opinion on Each Major Federal Program

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). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of the Authority and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on my audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that I identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during my audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our 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

July 26, 2022



Audit Solutions, LLC.

Certified Public Accountant

INDEPENDENT AUDITORS REPORT ON APPLYING AGREED-UPON PROCEDURES

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

I have performed the procedure described in the second paragraph of this report, which was agreed to by the Housing Authority of the City of Peru and the U.S. Department of Housing and Urban Development, Public Indian Housing - Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Uniform Guidance reporting package. The Authority is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in the Government Auditing Standards issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, I make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

I compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of my agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the chart below.

I was engaged to perform an audit in accordance with the audit requirements of Title 2 U.S. Code of the Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), by the Authority as of and for the year ended December 31, 2021 and have issued my report thereon dated July 26, 2022. The information in the "Hard Copy Documents" column was included within the scope or was a by-product of that audit. Further, my opinion on the fair presentation of the Financial Data Schedule (FDS) dated July 26, 2022, was expressed in relation to the basic financial statements of the Authority taken as a whole.

A copy of the reporting package required by Uniform Guidance, which includes the auditor's reports, is available in its entirety from the Authority. I have not performed any additional procedures since the date of the aforementioned audit reports. Further, I take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, PIH-REAC.

This report is intended solely for the information and use of the Authority and the U.S. Department of Housing and Urban Development, PIH-REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Audit Solutions, LLC

Chesterfield, Missouri
July 26, 2022

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

AGREED UPON PROCEDURES
December 31, 2021

Procedure	UFRS Rule Information	Hard Copy Document(s)	Agrees
1	Balance Sheet and Revenue and Expense (data line items 111 to 1121)	Financial Data Schedule, all CFDA's	√
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	√
3	Type of opinion to FDS (data element G5100-010)	Auditor's supplemental report on FDS	√
4	Audit findings narratives (data element G5200-010)	Schedule of Findings and Questioned costs	√
5	General Information (data element series G2000, G2100, G2200, G2300, G90000, G9100)	OMB Data Collection Form	√
6	Financial statement report information (data element G3000-010 to G3000-050)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form	√
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form	√
8	Type of compliance requirement (G4000-020 & G4000-030)	OMB Data Collection Form	√
9	Basic financial statements and auditors' reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	√

HOUSING AUTHORITY OF THE CITY OF PERU
Peru, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2021

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, 2021 disclosed no Financial Statement audit finding.

Section III - Federal Award Findings and Questioned Costs

The current audit report for the year ended December 31, 2021 disclosed no Federal Awards audit finding and questioned costs.