

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
CITY OF PERU
MIAMI COUNTY, INDIANA
January 1, 2007 to December 31, 2007



FILED
09/30/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jackquan E. Gray	01-01-04 to 12-31-11
Mayor	James R. Walker	01-01-04 to 12-31-11
President of the Board of Public Works and Safety	James R. Walker	01-01-04 to 12-31-11
President of the Common Council	James R. Walker	01-01-04 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF PERU, MIAMI COUNTY, INDIANA

We have examined the financial information presented herein of the City of Peru (City), for the period of January 1, 2007 to December 31, 2007. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

August 12, 2008

CITY OF PERU
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 2,030,538	\$ 6,782,975	\$ 7,579,110	\$ 1,234,403
Levy Excess	25,286	-	25,286	-
Aviation	38,417	21,100	67,816	(8,299)
Park Nonreverting Operating	6,140	-	-	6,140
Records Perpetuation	14,573	10,298	6,022	18,849
Criminal Investigation	23,556	14,703	33,168	5,091
Metro Arson	1,779	58,066	57,674	2,171
Rainy Day	817	140,317	-	141,134
Education Summit	6,496	4,972	7,808	3,660
Cable TV	67,443	20,594	-	88,037
Economic Development Income Tax	289,096	1,124,893	832,324	581,665
Pretrial Deferral	202,266	44,691	161,382	85,575
Riverfront Walkway	3,439	-	-	3,439
Unsafe Bldg/Insp/Eng	19,180	40,000	27,098	32,082
IU Childseat Grant	16	1,321	1,101	236
Airport Taxiway/FAA Grant	34,970	416,951	417,700	34,221
Debt Service	203,035	67,980	231,289	39,726
Golf Irrigation	65,921	17,760	20,523	63,158
Evidence Trust	-	10,002	-	10,002
Bond Proceeds Project	338,717	-	8,732	329,985
Park Nonreverting Capital	1,211	-	-	1,211
Special Street and Sanitation	29,775	47,743	-	77,518
Cumulative Capital Development	-	18,854	-	18,854
Fire Territory Debt/Equip	65,974	28,379	90,437	3,916
Local Road and Street	61,141	55,488	19,673	96,956
Motor Vehicle Highway	435,747	535,832	670,983	300,596
Law Enforce Continued Education	16,677	12,614	8,121	21,170
Park and Recreation	93,330	292,879	384,206	2,003
Parking Meter	15,032	1,100	-	16,132
Cumulative Capital Improvement	195,401	45,640	8,654	232,387
Proprietary Funds:				
Electric Utility - Operating	2,551,887	20,106,523	20,091,712	2,566,698
Electric Utility - Depreciation	1,371,016	1,612,467	819,488	2,163,995
Wastewater Meter Deposit	20,230	2,240	605	21,865
Electric Meter Deposit	140,450	16,480	6,645	150,285
Electric Utility - Self Insurance	251,308	402,716	483,118	170,906
Wastewater Utility - Operating	276,197	3,363,504	3,288,065	351,636
Wastewater/Water Opr/Grissom	350,379	801,422	650,447	501,354
Wastewater Debt Sinking	1,245,530	1,000,000	1,000,000	1,245,530
Wastewater Retainage Construction	75,003	-	-	75,003
Wastewater Construction	186,486	11,176	-	197,662
Wastewater Improvement	2,743,654	1,937,621	1,872,039	2,809,236
Wastewater/Water Impr/Grissom	1,016,386	192,434	331,502	877,318
Stormwater Improvement	15,101	257,668	102,247	170,522
Wastewater/Water Deposit/ Grissom	13,745	1,260	2,685	12,320
Wastewater/Stormwater Fees	252,229	373,987	423,243	202,973
Wastewater Bond Sinking	562,605	1,165,166	1,203,847	523,924
Water Operating	123,830	1,618,656	1,585,858	156,628
Water Oper/Grissom	223,470	603,357	519,925	306,902
Water Depreciation	684,335	335,949	383,737	636,547
Water Depreciation/Grissom	430,704	93,865	316,454	208,115
Water Meter Deposit	21,795	2,330	805	23,320
Water Deposit/Grissom	15,830	1,605	3,275	14,160
Fiduciary Funds:				
Police Pension	293,555	304,900	524,008	74,447
Firefighters Pension	421,272	433,152	740,359	114,065
Court Cost - Due County	-	27,090	27,090	-
User Fee	7,856	32,099	30,608	9,347
City Court	15,213	352,217	357,326	10,104
Payroll	79,197	6,494,174	6,493,950	79,421
Totals	\$ 17,675,236	\$ 51,359,210	\$ 51,918,145	\$ 17,116,301

The accompanying notes are an integral part of the financial information.

CITY OF PERU
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF PERU
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

CITY OF PERU
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
For The Year Ended December 31, 2007

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 711,448
Infrastructure	84,604,669
Buildings	8,089,625
Improvements other than buildings	3,905,094
Machinery and equipment	<u>7,519,938</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 104,830,774</u>
 Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 68,266
Construction in progress	57
Capital assets being depreciated:	
Buildings	2,987,841
Improvements other than buildings	1,296,749
Machinery and equipment	2,146,234
Less accumulated depreciation	<u>(4,568,812)</u>
 Total Water Utility capital assets	 <u>1,930,335</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Land	305,307
Construction in progress	122,701
Capital assets being depreciated:	
Buildings	8,752,774
Improvements other than buildings	16,413,550
Machinery and equipment	10,002,941
Less accumulated depreciation	<u>(5,510,197)</u>
 Total Wastewater Utility capital assets	 <u>30,087,076</u>
 Electric Utility:	
Capital assets, not being depreciated:	
Land	162,745
Construction in progress	17,504
Capital assets being depreciated:	
Buildings	3,846,522
Improvements other than buildings	40,151,634
Machinery and equipment	1,650,515
Less accumulated depreciation	<u>(29,723,397)</u>
 Total Electric Utility capital assets	 <u>16,105,523</u>
 Stormwater Utility:	
Capital assets, not being depreciated:	
Construction in progress	134,597
Capital assets being depreciated:	
Improvements other than buildings	886,803
Less accumulated depreciation	<u>(33,700)</u>
 Total Stormwater Utility capital assets	 <u>987,700</u>
 Total business-type activities capital assets	 <u>\$ 49,110,634</u>

CITY OF PERU
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Buildings	\$ 870,000	\$ 88,500
Infrastructure	3,375,000	326,000
Machinery and Equipment	484,578	156,201
Transportation Equipment	144,528	73,748
Notes and loans payable	2,251,511	2,034,547
Bonds payable:		
General obligation bonds:		
Buildings, infrastructure and equipment	<u>1,130,000</u>	<u>226,264</u>
Total governmental activities debt	<u>\$ 8,255,617</u>	<u>\$ 2,905,260</u>
Business-type Activities:		
Wastewater Utility		
Notes and Loans:		
Treatment plant project	<u>13,673,132</u>	<u>-</u>
Total business-type activities debt:	<u>\$ 13,673,132</u>	<u>\$ -</u>

CITY OF PERU
OTHER REPORT

The report presented herein was prepared in addition to the official report prepared for the individual City office listed below:

Peru Municipal Utilities

CITY OF PERU
EXAMINATION RESULT AND COMMENT

OVERDRAWN FUND BALANCES

The Aviation Fund was overdrawn in 2007.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF PERU
EXIT CONFERENCE

The contents of this report were discussed on August 12, 2008, with Jackquan E. Gray, Clerk-Treasurer; and James R. Walker, Mayor. The officials concurred with our findings.