

B37164

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

ANNUAL FINANCIAL REPORT

2009

CITY OF PERU

MIAMI COUNTY, INDIANA



FILED
07/01/2010

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
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	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	7
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds	8
Proprietary Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Funds	9
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	10
Notes to Financial Statements	11-23
Required Supplementary Information:	
Schedules of Funding Progress	24
Schedule of Contributions From the Employer and Other Contributing Entities	25
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds	26-30
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Pension Trust Funds	31
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Agency Funds	32
Schedule of Capital Assets	33
Schedule of Long-Term Debt	34
Other Report	35
Audit Result and Comment:	
Appropriations	36
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	38-39
Schedule of Expenditures of Federal Awards	40
Note to Schedule of Expenditures of Federal Awards	41
Schedule of Findings and Questioned Costs	42
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings	43
Exit Conference	44

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jackquan E. Gray	01-01-08 to 12-31-11
Mayor	James R. Walker	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	James R. Walker	01-01-08 to 12-31-11
President of the Common Council	James R. Walker	01-01-08 to 12-31-11
General Manager of Utilities	Roger B. Merriman	01-01-09 to 12-31-10
Utility Office Manager	Leah Aikman	01-01-09 to 12-31-10



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Peru (City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2009, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated June 14, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

June 14, 2010



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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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Peru (City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 14, 2010. We conducted our 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

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
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the City's management, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 14, 2010

CITY OF PERU
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2009

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 1,266,442	\$ 153,920	\$ -	\$ -	\$ (1,112,522)	\$ -	\$ (1,112,522)
Public safety	5,640,421	73,328	11,087	-	(5,556,006)	-	(5,556,006)
Highways and streets	1,664,292	458	340,537	49,891	(1,273,406)	-	(1,273,406)
Sanitation	-	51,519	-	-	51,519	-	51,519
Health and welfare	63,322	125	-	-	(63,197)	-	(63,197)
Economic development	938,614	-	-	-	(938,614)	-	(938,614)
Culture and recreation	501,479	226,216	-	-	(275,263)	-	(275,263)
Principal and interest on indebtedness	314,993	-	-	-	(314,993)	-	(314,993)
Total governmental activities	10,389,563	505,566	351,624	49,891	(9,482,482)	-	(9,482,482)
Business-type activities:							
Electric Utility	22,008,769	23,044,098	-	83,463	-	1,118,792	1,118,792
Water Utility	1,923,136	1,915,815	-	8,887	-	1,566	1,566
Wastewater Utility	4,007,928	3,506,783	-	233,868	-	(267,277)	(267,277)
Storm Water Utility	534,804	366,923	-	-	-	(167,881)	(167,881)
Total business-type activities	28,474,637	28,833,619	-	326,218	-	685,200	685,200
Total primary government	\$ 38,864,200	\$ 29,339,185	\$ 351,624	\$ 376,109	(9,482,482)	685,200	(8,797,282)
General receipts:							
Property taxes					6,139,427	-	6,139,427
Intergovernmental					3,353,251	-	3,353,251
Other local sources					423,922	129,053	552,975
Net proceeds from borrowings					-	1,187,411	1,187,411
Grants and contributions not restricted to specific programs					201,741	-	201,741
Investment earnings					60,340	109,997	170,337
Transfers					530,229	-	530,229
Total general receipts and transfers					10,708,910	1,426,461	12,135,371
Change in net assets					1,226,428	2,111,661	3,338,089
Net assets - beginning					3,322,850	13,603,335	16,926,185
Net assets - ending					\$ 4,549,278	\$ 15,714,996	\$ 20,264,274
Assets							
Cash and investments					\$ 1,792,315	\$ 5,820,027	\$ 7,612,342
Restricted assets:							
Cash and investments					2,756,963	9,308,387	12,065,350
Cash with fiscal agent					-	586,582	586,582
Total assets					\$ 4,549,278	\$ 15,714,996	\$ 20,264,274
Net Assets							
Restricted for:							
Public safety					\$ 1,114,389	\$ -	\$ 1,114,389
Highways and streets					377,583	-	377,583
Culture and recreation					31,963	-	31,963
Debt service					220,364	1,728,336	1,948,700
Capital outlay					1,012,664	-	1,012,664
Other purposes					-	8,166,633	8,166,633
Unrestricted					1,792,315	5,820,027	7,612,342
Total net assets					\$ 4,549,278	\$ 15,714,996	\$ 20,264,274

The notes to the financial statements are an integral part of this statement.

CITY OF PERU
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2009

	General	Fire Territory	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 2,593,111	\$ 2,437,179	\$ 1,109,137	\$ 6,139,427
Licenses and permits	28,297	-	7,010	35,307
Intergovernmental	1,730,136	217,989	2,008,382	3,956,507
Charges for services	57,465	-	278,120	335,585
Fines and forfeits	23,163	-	129,612	152,775
Other	176,060	1,034	284,926	462,020
Total receipts	4,608,232	2,656,202	3,817,187	11,081,621
Disbursements:				
General government	640,262	-	301,126	941,388
Public safety	3,073,858	2,026,609	413,206	5,513,673
Highways and streets	791,636	-	818,983	1,610,619
Health and welfare	63,322	-	-	63,322
Economic development	-	-	938,614	938,614
Culture and recreation	36,008	-	445,233	481,241
Debt service:				
Principal	-	-	240,000	240,000
Interest	-	-	74,993	74,993
Capital outlay:				
General government	253,308	-	71,746	325,054
Public safety	6,500	115,248	5,000	126,748
Highways and streets	22,238	-	31,435	53,673
Culture and recreation	500	-	19,738	20,238
Total disbursements	4,887,632	2,141,857	3,360,074	10,389,563
Excess (deficiency) of receipts over disbursements	(279,400)	514,345	457,113	692,058
Other financing sources (uses):				
Transfers in	530,229	-	60,000	590,229
Transfers out	(60,000)	-	-	(60,000)
Other receipts	3,804	-	337	4,141
Total other financing sources (uses)	474,033	-	60,337	534,370
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	194,633	514,345	517,450	1,226,428
Cash and investment fund balance - beginning	526,169	176,956	2,619,725	3,322,850
Cash and investment fund balance - ending	<u>\$ 720,802</u>	<u>\$ 691,301</u>	<u>\$ 3,137,175</u>	<u>\$ 4,549,278</u>
Cash and Investment Assets - Ending				
Cash and investments	\$ 720,802	\$ -	\$ 1,071,513	\$ 1,792,315
Restricted assets:				
Cash and investments	-	691,301	2,065,662	2,756,963
Total cash and investment assets - ending	\$ 720,802	\$ 691,301	\$ 3,137,175	\$ 4,549,278
Cash and Investment Fund Balance - Ending				
Restricted for:				
Public safety	\$ -	\$ 691,301	\$ 513,508	\$ 1,204,809
Highways and streets	-	-	287,163	287,163
Culture and recreation	-	-	31,963	31,963
Debt service	-	-	220,364	220,364
Capital outlay	-	-	1,012,664	1,012,664
Unrestricted	720,802	-	1,071,513	1,792,315
Total cash and investment fund balance - ending	\$ 720,802	\$ 691,301	\$ 3,137,175	\$ 4,549,278

The notes to the financial statements are an integral part of this statement.

CITY OF PERU
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2009

	Electric Utility	Water Utility	Wastewater Utility	Stormwater Utility	Totals
Operating receipts:					
Unmetered/flat rate	\$ -	\$ -	\$ 107,629	\$ 360,580	\$ 468,209
Metered/measured	22,516,832	1,663,227	3,267,065	-	27,447,124
Public street and highway lighting	144,928	-	-	-	144,928
Fire protection receipts	-	205,729	-	-	205,729
Penalties	94,503	16,326	65,586	6,343	182,758
Miscellaneous	287,835	30,533	66,503	-	384,871
Total operating receipts	23,044,098	1,915,815	3,506,783	366,923	28,833,619
Operating disbursements:					
Purchased power	15,484,354	-	-	-	15,484,354
Water treatment	-	845,954	-	-	845,954
Transmission and distribution	2,721,287	836,750	-	-	3,558,037
Collection system	-	-	720,595	156,761	877,356
Treatment and disposal	-	-	1,249,164	-	1,249,164
Power production	2,171,994	-	-	-	2,171,994
Equipment and capital improvements	837,393	156,358	813,453	378,043	2,185,247
Miscellaneous	323,246	24,340	-	-	347,586
Total operating disbursements	21,538,274	1,863,402	2,783,212	534,804	26,719,692
Excess (deficiency) of operating receipts over operating disbursements	1,505,824	52,413	723,571	(167,881)	2,113,927
Nonoperating receipts (disbursements):					
Investment income	46,320	9,038	50,071	4,568	109,997
Net proceeds from borrowings	-	-	687,411	500,000	1,187,411
Other nonoperating receipts	80,253	32,346	16,454	-	129,053
Debt service of principal	-	-	(835,000)	-	(835,000)
Interest disbursements	-	-	(389,716)	-	(389,716)
Total nonoperating receipts (disbursements)	126,573	41,384	(470,780)	504,568	201,745
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	1,632,397	93,797	252,791	336,687	2,315,672
Capital contributions	83,463	8,887	233,868	-	326,218
Transfers out	(470,495)	(59,734)	-	-	(530,229)
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	1,245,365	42,950	486,659	336,687	2,111,661
Cash and investment fund balance - beginning	5,864,361	1,212,144	6,197,639	329,191	13,603,335
Cash and investment fund balance - ending	\$ 7,109,726	\$ 1,255,094	\$ 6,684,298	\$ 665,878	\$ 15,714,996
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 3,443,820	\$ 385,771	\$ 1,719,158	\$ 271,278	\$ 5,820,027
Restricted assets:					
Cash and investments	3,665,906	869,323	4,378,558	394,600	9,308,387
Cash with fiscal agent	-	-	586,582	-	586,582
Total cash and investment assets - December 31	\$ 7,109,726	\$ 1,255,094	\$ 6,684,298	\$ 665,878	\$ 15,714,996
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Debt service	\$ -	\$ -	\$ 1,728,336	\$ -	\$ 1,728,336
Other purposes	3,665,906	869,323	3,236,804	394,600	8,166,633
Unrestricted	3,443,820	385,771	1,719,158	271,278	5,820,027
Total cash and investment fund balance - December 31	\$ 7,109,726	\$ 1,255,094	\$ 6,684,298	\$ 665,878	\$ 15,714,996

The notes to the financial statements are an integral part of this statement.

CITY OF PERU
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2009

	Pension Trust Funds	Agency Funds
Additions:		
Contributions:		
Employer	\$ 43,965	
State	1,370,760	
Total additions	1,414,725	
Deductions:		
Benefits	1,415,259	
Administrative and general	5,296	
Total deductions	1,420,555	
Deficiency of total additions over total deductions	(5,830)	
Cash and investment fund balance - beginning	170,399	
Cash and investment fund balance - ending	\$ 164,569	\$ 120,596

The notes to the financial statements are an integral part of this statement.

CITY OF PERU
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, storm water, and urban redevelopment.

The City's financial reporting entity is composed of the following:

Primary Government: City of Peru

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The fire territory fund accounts for general property tax monies collected for fire protection for citizens of the City and Peru township which constitute a fire protection territory.

The City reports the following major enterprise funds:

The electric utility fund accounts for the operation of the electric distribution system.

The water utility fund accounts for the operation of the water distribution system.

CITY OF PERU
NOTES TO FINANCIAL STATEMENTS
(Continued)

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

The storm water utility fund accounts for the operation of the storm water collection system.

Additionally, the City reports the following fund types:

The pension trust funds account for the activities of the 1925 police officers' and 1937 firefighters' pension plans, which accumulate resources for pension benefit payments.

Agency funds account for assets held by the City as an agent for federal and state revenue agencies and serve as control of accounts for cash transactions during the time they are a liability to the City.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City and its enterprise funds. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as

CITY OF PERU
NOTES TO FINANCIAL STATEMENTS
(Continued)

nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The City does not have any internal service funds.

When both restricted and unrestricted resources are available for use, the City's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the City in June and in 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. 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 may become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as a liability in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

CITY OF PERU
NOTES TO FINANCIAL STATEMENTS
(Continued)

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

- 1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
- 2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
- 3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.
- 4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

CITY OF PERU
NOTES TO FINANCIAL STATEMENTS
(Continued)

Government-Wide Financial Statements

Interfund activity, if any, is eliminated or reclassified in the government-wide financial statements as follows:

1. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.
2. Primary government and component unit activity – Resource flows between the primary government and the discretely-presented component unit(s) are reported as if they were external transactions and are classified separately from internal activities within the primary government.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2009, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

CITY OF PERU
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund	2009
Debt Service	\$ 2,028
LECE	11,227
Criminal Investigation	5,941
Records Perpetuation	22,450
Total	\$ 41,646

These disbursements were funded by available fund balances..

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The City does not have a deposit policy for custodial credit risk. At December 31, 2009, the City had deposit balances in the amount of \$19,961,384.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

As of December 31, 2009, the City had no investments.

Statutory Authorization for Investments

IC 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the City to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the City and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America,

CITY OF PERU
NOTES TO FINANCIAL STATEMENTS
(Continued)

obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust have a stated final maturity of one day.

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the City's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City must follow state statute and limit the stated final maturities of the investments to no more than two years. The City does not have a formal investment policy for interest rate risk for investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have a formal investment policy for credit risk for investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The City does not have a formal policy in regards to foreign currency risk.

CITY OF PERU
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2009, were as follows:

Transfer From	Transfer To	2009
General Fund	Other governmental funds	\$ 60,000
Business type funds:		
Electric Utility	General Fund	470,495
Water Utility	General Fund	59,734
Total		\$ 590,229

The City typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters are covered by commercial insurance from independent third parties.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. Theft of, damage to, and destruction of assets coverage for the Peru Utilities was reduced by approximately \$16,500,000 beginning in 2010 as a result of dropping coverage for boilers and machinery in the generating plant reflecting management's position that the Utilities would discontinue power generation activity rather than repair any such damage.

Medical Benefits to Employees - Utilities

The Utilities have chosen to establish a risk financing fund for risks associated with medical benefits to employees, dependents and retirees. The risk financing fund is where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$55,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. A premium is charged to each fund that accounts for salaries and wages. The total charge allocated to each of the funds is based on the number of enrollees who are paid from the fund in relation to the total number of enrollees. Provisions are also made for unexpected and unusual claims.

CITY OF PERU
NOTES TO FINANCIAL STATEMENTS
(Continued)

Job Related Illnesses or Injuries to Employees – City and Utilities

During 2008, the City joined together with other governmental entities in the Indiana Public Employers' Plan, Inc., a public entity risk pool currently operating as a common risk management and insurance program for approximately 700 member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses or injuries to employees. The Utilities pay an annual premium to the risk pool for its job related illnesses and injuries to employees coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$600,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$600,000 limit.

B. Other Postemployment Benefits - Utilities

In addition to the pension benefits described below, the Utilities provide postemployment medical benefits, as authorized by IC 5-10-8, to all employees who retire from the Utilities and are eligible for a full PERF pension. The plan has a defined benefit element for retirees under age 65 and a defined contribution element for retirees age 65 and over.

Defined Benefit Plan

Retirees under age 65 may continue in the Utilities' self-insured plan for medical benefits to employees described above. Currently, 2 retirees meet the eligibility requirements and participate in this plan. The Utilities provide 100% of these benefits except for a flat premium charged to the retirees. Expenditures for these benefits are recognized when funds are set aside to pay future claims for both currently employed and retired members of the plan.

Defined Contribution Plan

The Utilities offer a Medicare Supplement and Medicare - Part D plan to retirees age 65 and over. The Utilities contribute 3½ percent of the premium per year of service for each retiree. Currently 19 retirees meet the eligibility requirements and participate in this plan. Expenditures for these benefits are recognized when the premiums are paid.

During the year ended December 31, 2009, expenditures of \$42,766 were recognized for postemployment benefits.

C. Rate Structure – Enterprise Funds

Electric Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on June 13, 2007.

Water Utility

The current rate structure for the Peru service area was approved by the Indiana Utility Regulatory Commission (IURC) on April 14, 1994.

Rates for customers in the Grissom Aeroplex service area are not subject to approval by the IURC. The current rate structure was approved by the City Council on January 6, 2003.

CITY OF PERU
NOTES TO FINANCIAL STATEMENTS
(Continued)

Wastewater Utility

The current rate structure was approved by the City Council on April 10, 2000 for the Peru service area, and on May 4, 2009 for the Grissom Aeroplex service area.

Storm Water Utility

The current rate structure was approved by the City Council on June 7, 2004.

D. Purchase and Sale of Power – Electric Utility

The Peru Electric Utility is a member of the Indiana Municipal Power Agency (IMPA). IMPA is an incorporated political subdivision of the State of Indiana pursuant to Indiana Code 8-1-2.2 and serves as a supplier of electric power to forty municipalities in Indiana. IMPA purchases power from private generating sources and from four municipal power generating stations, one of which is owned by the Peru Electric Utility. A contractual agreement between IMPA and the Peru Electric Utility requires the Utility to sell all of its generated power to IMPA and to purchase its power demands for servicing its customers from IMPA. The following schedule summarizes the Utility's power purchases and sales transactions with IMPA for the years 2008 and 2009:

	2008		2009	
	Megawatt Hours	Average Price	Megawatt Hours	Average Price
Power sold to IMPA	54,884	\$ 39.47	10,384	\$ 42.28
Power purchased from IMPA	263,793	54.64	251,829	65.28

E. Major Customers

The Peru Utilities have two major customers who account for a significant portion of Utility revenue. The customers and the percentage of revenue attributable to each for 2009 are as follows:

Customer	Electric Utility	Water Utility	Wastewater Utility
Armour Eckrich	15.5%	1.9%	4.9%
Miami County Correctional Facility	6.1%	13.8%	13.8%

F. Receipts Pledged

Wastewater Utility Receipts Pledged

The City has pledged future receipts, net of specified operating expenditures, to repay State Revolving Fund loans incurred in 2000 through 2009. Proceeds from the loans provided financing for wastewater treatment plant upgrades and storm water infiltration remedies. The loans are payable solely from the Wastewater Utility's net receipts and are payable through 2023. Annual principal and interest payments are expected to require less than 98 percent of net receipts.

CITY OF PERU
NOTES TO FINANCIAL STATEMENTS
(Continued)

Storm Water Utility Receipts Pledged

The City has pledged future receipts, net of specified operating expenditures, to repay a loan incurred in 2009. Proceeds from the loan provided financing for storm water removal infrastructure. The loan is payable solely from the Storm Water Utility's net receipts and is payable through 2019. Annual principal and interest payments are expected to require less than 30 percent of net receipts.

G. Pension Plans

Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

1. 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 the 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 member's 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. The 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

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the City and the Utilities during the period were \$84,182 and \$300,100, respectively.

2. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits

CITY OF PERU
NOTES TO FINANCIAL STATEMENTS
(Continued)

to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

On-behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11. The State of Indiana has contributed \$529,071 on behalf of the City. On behalf payments from the State of Indiana approximate the amount paid out for benefits.

3. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

On-behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11. The State of Indiana has contributed \$761,591 on behalf of the City. On behalf payments from the State of Indiana approximate the amount paid out for benefits.

4. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

CITY OF PERU
NOTES TO FINANCIAL STATEMENTS
(Continued)

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF 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

The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan during the period were \$391,425.

CITY OF PERU
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund - City

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-07	\$ 1,527,476	\$ 1,646,828	\$ (119,352)	93%	\$ 1,033,116	(12%)
07-01-08	1,580,179	1,763,728	(183,549)	90%	1,211,909	(15%)
07-01-09	1,189,279	1,691,396	(502,117)	70%	1,334,659	(38%)

Public Employees' Retirement Fund - Utilities

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-07	\$ 4,865,189	\$ 5,686,142	\$ (820,953)	86%	\$ 3,721,343	(22%)
07-01-08	5,252,979	6,398,842	(1,145,863)	82%	3,787,604	(30%)
07-01-09	4,730,885	6,586,061	(1,855,176)	72%	4,007,951	(46%)

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-04	\$ 561,999	\$ 5,781,700	\$ (5,219,701)	10%	No Covered Payroll	
01-01-05	338,706	5,744,600	(5,405,894)	6%	No Covered Payroll	
01-01-06	129,925	6,370,800	(6,240,875)	2%	No Covered Payroll	
01-01-07	293,555	6,465,500	(6,171,945)	5%	No Covered Payroll	
01-01-08	74,447	6,465,200	(6,390,753)	1%	No Covered Payroll	
01-01-09	54,233	7,748,300	(7,694,067)	1%	No Covered Payroll	

1937 Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-04	\$ 561,999	\$ 10,699,700	\$ (10,137,701)	5%	\$ 132,800	
01-01-05	338,706	10,197,900	(9,859,194)	3%	102,600	
01-01-06	129,925	10,020,000	(9,890,075)	1%	69,800	
01-01-07	421,272	9,288,800	(8,867,528)	5%	No Covered Payroll	
01-01-08	114,065	8,958,300	(8,844,235)	1%	No Covered Payroll	
01-01-09	116,166	11,330,100	(11,213,934)	1%	No Covered Payroll	

CITY OF PERU
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF CONTRIBUTIONS FROM THE
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

1925 Police Officers' Pension Plan				
	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
			City	State
1925 Police Officers' Pension Plan	12-31-04	\$ 660,300	61%	0%
	12-31-05	405,500	89%	0%
	12-31-06	455,400	39%	78%
	12-31-07	468,700	8%	57%
	12-31-08	475,600	40%	67%
	12-31-09	579,100	3%	98%
1937 Firefighters' Pension Plan	12-31-04	1,254,000	35%	0%
	12-31-05	748,500	64%	0%
	12-31-06	734,400	88%	65%
	12-31-07	673,300	8%	56%
	12-31-08	658,900	50%	65%
	12-31-09	846,700	3%	95%

CITY OF PERU
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009

	Motor Vehicle Highway	Local Road & Street	Aviation Commission	Parking Meter	Criminal Investigation	Perpetuation Fund
Receipts:						
Taxes	\$ 345,926	\$ -	\$ 59,738	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	371,673	49,891	5,066	-	-	-
Charges for services	-	-	-	458	-	-
Fines and forfeits	-	-	-	-	-	13,719
Other	-	-	5,155	-	11,248	-
Total receipts	717,599	49,891	69,959	458	11,248	13,719
Disbursements:						
General government	-	-	64,501	-	-	22,451
Public safety	-	-	-	-	10,941	-
Highways and streets	743,437	75,546	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	1,107	15,347	-	-
Public safety	-	-	-	-	-	-
Highways and streets	31,435	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	774,872	75,546	65,608	15,347	10,941	22,451
Excess (deficiency) of receipts over disbursements	(57,273)	(25,655)	4,351	(14,889)	307	(8,732)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(57,273)	(25,655)	4,351	(14,889)	307	(8,732)
Cash and investment fund balance - beginning	263,901	106,190	5,771	16,317	5,389	20,176
Cash and investment fund balance - ending	\$ 206,628	\$ 80,535	\$ 10,122	\$ 1,428	\$ 5,696	\$ 11,444
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ 10,122	\$ 1,428	\$ -	\$ 11,444
Restricted assets:						
Cash and investments	206,628	80,535	-	-	5,696	-
Total cash and investment assets - ending	\$ 206,628	\$ 80,535	\$ 10,122	\$ 1,428	\$ 5,696	\$ 11,444
Cash and Investment Fund Balance - Ending						
Restricted for:						
Public safety	-	-	-	-	5,696	-
Highways and streets	206,628	80,535	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	-	10,122	1,428	-	11,444
Total cash and investment fund balance - ending	\$ 206,628	\$ 80,535	\$ 10,122	\$ 1,428	\$ 5,696	\$ 11,444

CITY OF PERU
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	Unsafe Bldg Fund/Insp/Eng	Child Seat Grant	Park	Peru Metro Fire Fund	Traffic/Ordinance Violation	Riverfront Walkway Fund
Receipts:						
Taxes	\$ -	\$ -	\$ 191,687	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	16,332	-	-	-
Charges for services	-	-	204,167	-	-	-
Fines and forfeits	-	-	-	-	114,909	-
Other	-	-	925	921	-	-
Total receipts	-	-	413,111	921	114,909	-
Disbursements:						
General government	-	500	-	-	-	-
Public safety	1,425	-	-	900	25,716	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	426,222	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	19,738	-	-	-
Total disbursements	1,425	500	445,960	900	25,716	-
Excess (deficiency) of receipts over disbursements	(1,425)	(500)	(32,849)	21	89,193	-
Other financing sources (uses):						
Transfers in	60,000	-	-	-	-	-
Other receipts	-	-	-	40	-	-
Total other financing sources (uses)	60,000	-	-	40	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	58,575	(500)	(32,849)	61	89,193	-
Cash and investment fund balance - beginning	92,082	736	64,812	2,758	1,227	3,439
Cash and investment fund balance - ending	\$ 150,657	\$ 236	\$ 31,963	\$ 2,819	\$ 90,420	\$ 3,439
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 236	\$ -	\$ -	\$ -	\$ 3,439
Restricted assets:						
Cash and investments	150,657	-	31,963	2,819	90,420	-
Total cash and investment assets - ending	\$ 150,657	\$ 236	\$ 31,963	\$ 2,819	\$ 90,420	\$ 3,439
Cash and Investment Fund Balance - Ending						
Restricted for:						
Public safety	150,657	-	-	2,819	90,420	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	31,963	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	236	-	-	-	3,439
Total cash and investment fund balance - ending	\$ 150,657	\$ 236	\$ 31,963	\$ 2,819	\$ 90,420	\$ 3,439

CITY OF PERU
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	Education Summit	Cable Television	The Rainy Day Fund	Local Law Enforce Cont Ed	Cedit	Evidence Trust
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	7,010	-	-
Intergovernmental	-	-	-	-	689,205	-
Charges for services	-	53,560	-	3,706	-	-
Fines and forfeits	-	-	-	984	-	-
Other	-	-	216,974	2,269	18,496	-
Total receipts	-	53,560	216,974	13,969	707,701	-
Disbursements:						
General government	1,449	15,000	-	-	-	-
Public safety	-	-	-	15,227	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	938,614	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	5,000	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	1,449	15,000	-	20,227	938,614	-
Excess (deficiency) of receipts over disbursements	(1,449)	38,560	216,974	(6,258)	(230,913)	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Other receipts	-	-	-	-	297	-
Total other financing sources (uses)	-	-	-	-	297	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,449)	38,560	216,974	(6,258)	(230,616)	-
Cash and investment fund balance - beginning	1,449	108,203	191,551	26,145	720,172	10,002
Cash and investment fund balance - ending	\$ -	\$ 146,763	\$ 408,525	\$ 19,887	\$ 489,556	\$ 10,002
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 146,763	\$ 408,525	\$ -	\$ 489,556	\$ -
Restricted assets:						
Cash and investments	-	-	-	19,887	-	10,002
Total cash and investment assets - ending	\$ -	\$ 146,763	\$ 408,525	\$ 19,887	\$ 489,556	\$ 10,002
Cash and Investment Fund Balance - Ending						
Restricted for:						
Public safety	-	-	-	19,887	-	10,002
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	146,763	408,525	-	489,556	-
Total cash and investment fund balance - ending	\$ -	\$ 146,763	\$ 408,525	\$ 19,887	\$ 489,556	\$ 10,002

CITY OF PERU
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	Public Safety Loit	Fire Territory Debt/Equip	CCIF	Cumulative Capital Development	Park Nonreverting Capital	Special Street & Sanitation CCI
Receipts:						
Taxes	\$ -	\$ 113,692	\$ -	\$ 125,392	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	593,024	10,312	39,844	10,541	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	40	-	-	-	24,153
Total receipts	593,024	124,044	39,844	135,933	-	24,153
Disbursements:						
General government	-	-	-	-	-	-
Public safety	358,997	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	40,000	-	-	-	-
Interest	-	46,500	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	358,997	86,500	-	-	-	-
Excess (deficiency) of receipts over disbursements	234,027	37,544	39,844	135,933	-	24,153
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	234,027	37,544	39,844	135,933	-	24,153
Cash and investment fund balance - beginning	-	79,753	274,644	140,876	1,211	86,868
Cash and investment fund balance - ending	\$ 234,027	\$ 117,297	\$ 314,488	\$ 276,809	\$ 1,211	\$ 111,021
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	234,027	117,297	314,488	276,809	1,211	111,021
Total cash and investment assets - ending	\$ 234,027	\$ 117,297	\$ 314,488	\$ 276,809	\$ 1,211	\$ 111,021
Cash and Investment Fund Balance - Ending						
Restricted for:						
Public safety	234,027	\$ -	\$ -	\$ -	\$ -	\$ -
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service	-	117,297	-	-	-	-
Capital outlay	-	-	314,488	276,809	1,211	111,021
Unrestricted	-	-	-	-	-	-
Total cash and investment fund balance - ending	\$ 234,027	\$ 117,297	\$ 314,488	\$ 276,809	\$ 1,211	\$ 111,021

CITY OF PERU
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	Golf Irrigation System	Debt Service	Airport Taxiway FAA Grant	Bond Proceeds/Project	Totals
Receipts:					
Taxes	\$ -	\$ 272,702	\$ -	\$ -	\$ 1,109,137
Licenses and permits	-	-	-	-	7,010
Intergovernmental	-	22,643	199,851	-	2,008,382
Charges for services	16,229	-	-	-	278,120
Fines and forfeits	-	-	-	-	129,612
Other	-	-	4,745	-	284,926
Total receipts	16,229	295,345	204,596	-	3,817,187
Disbursements:					
General government	-	-	197,225	-	301,126
Public safety	-	-	-	-	413,206
Highways and streets	-	-	-	-	818,983
Economic development	-	-	-	-	938,614
Culture and recreation	19,011	-	-	-	445,233
Debt service:					
Principal	-	200,000	-	-	240,000
Interest	-	28,493	-	-	74,993
Capital outlay:					
General government	-	-	-	55,292	71,746
Public safety	-	-	-	-	5,000
Highways and streets	-	-	-	-	31,435
Culture and recreation	-	-	-	-	19,738
Total disbursements	19,011	228,493	197,225	55,292	3,360,074
Excess (deficiency) of receipts over disbursements	(2,782)	66,852	7,371	(55,292)	457,113
Other financing sources (uses):					
Transfers in	-	-	-	-	60,000
Other receipts	-	-	-	-	337
Total other financing sources (uses)	-	-	-	-	60,337
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,782)	66,852	7,371	(55,292)	517,450
Cash and investment fund balance - beginning	60,269	36,215	847	298,722	2,619,725
Cash and investment fund balance - ending	\$ 57,487	\$ 103,067	\$ 8,218	\$ 243,430	\$ 3,137,175
Cash and Investment Assets - Ending					
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 1,071,513
Restricted assets:					
Cash and investments	57,487	103,067	8,218	243,430	2,065,662
Total cash and investment assets - ending	\$ 57,487	\$ 103,067	\$ 8,218	\$ 243,430	\$ 3,137,175
Cash and Investment Fund Balance - Ending					
Restricted for:					
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 513,508
Highways and streets	-	-	-	-	287,163
Culture and recreation	-	-	-	-	31,963
Debt service	-	103,067	-	-	220,364
Capital outlay	57,487	-	8,218	243,430	1,012,664
Unrestricted	-	-	-	-	1,071,513
Total cash and investment fund balance - ending	\$ 57,487	\$ 103,067	\$ 8,218	\$ 243,430	\$ 3,137,175

CITY OF PERU
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2009

	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Totals</u>
Additions:			
Contributions:			
Employer	\$ 15,500	\$ 28,465	\$ 43,965
State	<u>565,115</u>	<u>805,645</u>	<u>1,370,760</u>
Total additions	<u>580,615</u>	<u>834,110</u>	<u>1,414,725</u>
Deductions:			
Benefits	550,816	864,443	1,415,259
Administrative and general	<u>2,047</u>	<u>3,249</u>	<u>5,296</u>
Total deductions	<u>552,863</u>	<u>867,692</u>	<u>1,420,555</u>
Excess (deficiency) of total additions over total deductions	27,752	(33,582)	(5,830)
Cash and investment fund balance - beginning	<u>54,233</u>	<u>116,166</u>	<u>170,399</u>
Cash and investment fund balance - ending	<u>\$ 81,985</u>	<u>\$ 82,584</u>	<u>\$ 164,569</u>

CITY OF PERU
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2009

	<u>Payroll Fund</u>	<u>User Fee</u>	<u>Court Cost Due County</u>	<u>City Court</u>	<u>Totals</u>
Additions:					
Agency fund additions	\$ 6,859,113	\$ 3,038	\$ 15,218	\$ 268,364	\$ 7,145,733
Deductions:					
Agency fund deductions	<u>6,849,126</u>	<u>1,885</u>	<u>15,218</u>	<u>284,495</u>	<u>7,150,724</u>
Excess (deficiency) of total additions over total deductions	9,987	1,153	-	(16,131)	(4,991)
Cash and investment fund balance - beginning	<u>94,482</u>	<u>14,194</u>	<u>-</u>	<u>16,911</u>	<u>125,587</u>
Cash and investment fund balance - ending	<u>\$ 104,469</u>	<u>\$ 15,347</u>	<u>\$ -</u>	<u>\$ 780</u>	<u>\$ 120,596</u>

CITY OF PERU
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
For The Year Ended December 31, 2009

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 626,488
Infrastructure	84,119,886
Buildings	10,679,449
Improvements other than buildings	5,246,742
Machinery and equipment	<u>7,942,426</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 108,614,991</u>
Business-type activities:	
Electric Utility:	
Capital assets, not being depreciated:	
Land	\$ 199,435
Construction in progress	225,735
Capital assets being depreciated:	
Buildings	3,869,089
Improvements other than buildings	42,060,798
Machinery and equipment	1,738,564
Less accumulated depreciation	<u>(31,909,295)</u>
Total Electric Utility capital assets	<u>16,184,326</u>
Water Utility:	
Capital assets, not being depreciated:	
Land	101,208
Capital assets being depreciated:	
Buildings	3,003,307
Improvements other than buildings	13,104,777
Machinery and equipment	2,379,686
Less accumulated depreciation	<u>(5,078,971)</u>
Total Water Utility capital assets	<u>13,510,007</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	305,307
Construction in progress	3,920,432
Capital assets being depreciated:	
Buildings	8,850,130
Improvements other than buildings	18,462,306
Machinery and equipment	10,315,463
Less accumulated depreciation	<u>(6,821,582)</u>
Total Wastewater Utility capital assets	<u>35,032,056</u>
Storm Water Utility:	
Capital assets, not being depreciated:	
Land	216,376
Capital assets being depreciated:	
Buildings	597
Improvements other than buildings	1,335,954
Machinery and equipment	85,238
Less accumulated depreciation	<u>(76,111)</u>
Total Storm Water Utility capital assets	<u>1,562,054</u>
Total business-type activities capital assets	<u>\$ 66,288,443</u>

CITY OF PERU
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2009

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	\$ 790,000	\$ 86,616
Infrastructure	2,945,000	324,000
Machinery and equipment	452,867	275,198
Notes and loans payable	185,193	54,547
Bonds payable:		
General obligation bonds:		
Buildings, infrastructure and equipment bonds of 2004	<u>740,000</u>	<u>228,140</u>
Total governmental activities debt	<u>\$ 5,113,060</u>	<u>\$ 968,501</u>
Business-type activities:		
Wastewater Utility:		
Notes and loans:		
Wastewater treatment plant project - Peru	\$ 13,305,000	\$ 192,922
Wastewater treatment plant project - Grissom	<u>1,375,223</u>	<u>-</u>
Total Wastewater Utility	14,680,223	192,922
Storm Water Utility:		
Notes and loans:		
Infrastructure	<u>500,000</u>	<u>62,361</u>
Total business-type activities debt	<u>\$ 29,860,446</u>	<u>\$ 448,205</u>

CITY OF PERU
OTHER REPORT

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

Peru Municipal Utilities

CITY OF PERU
AUDIT RESULT AND COMMENT

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Excess Amount Expended</u>
Debt Service	\$ 2,028
Law Enforcement Continuing Education	11,227
Criminal Investigation	5,941
Records Perpetuation	22,450

IC 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Peru (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2009. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we 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 City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the City's management, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 14, 2010

CITY OF PERU
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2009

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. Department of Justice</u>			
Pass-Through the Indiana Criminal Justice Institute Bulletproof Vest Partnership Program	16.607	FY2008	\$ 1,485
Pass-Through the City of Kokomo Edward Byrne Memorial Justice Assistance Grant Program	16.738	FY2008 FY2009	1,899 <u>2,848</u>
Total for program			<u>4,747</u>
Total for federal grantor agency			<u>6,232</u>
<u>U.S. Department of Transportation</u>			
Direct Grant Airport Improvement Program	20.106	AIP 3-18-0066-09 AIP 3-18-0066-10	164,738 <u>22,625</u>
Total for program			<u>187,363</u>
Pass-Through the Indiana Criminal Justice Institute State and Community Highway Safety	20.600	OP-09-01-01-31	<u>4,575</u>
Total for federal grantor agency			<u>191,938</u>
<u>U.S. Environmental Protection Agency</u>			
Pass-Through the Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds	66.458	CS18215501 WW08085203	509,787 <u>550,089</u>
Total for program			<u>1,059,876</u>
ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458	ARRA - WW08085203	<u>2,614,550</u>
Total for federal grantor agency			<u>3,674,426</u>
Total federal awards expended			<u>\$ 3,872,596</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF PERU
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Peru (City) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

CITY OF PERU
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF PERU
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF PERU
EXIT CONFERENCE

The contents of this report were discussed on June 14, 2010, with James R. Walker, Mayor; and Jackquan E. Gray, Clerk-Treasurer. The officials concurred with our audit finding.