

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

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF PERU

MIAMI COUNTY, INDIANA

January 1, 2023 to December 31, 2024



FILED

05/01/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	(Vacant)	01-01-23 to 01-06-23
	Kurt Krauskopf	01-07-23 to 03-17-24
	Andrea Newnum	03-18-24 to 12-31-25
Mayor	Miles Hewitt	01-01-23 to 12-31-23
	Don Sturch	01-01-24 to 12-31-25
President of the Board of Public Works and Safety	Miles Hewitt	01-01-23 to 12-31-23
	Don Sturch	01-01-24 to 12-31-25
President Pro Tempore of the Common Council	Peter Sahaidachny	01-01-23 to 12-31-23
	Tim Fisher	01-01-24 to 12-31-25
Utilities Finance Manager	Wayne Brindle	01-01-23 to 03-31-24
	Michele Cleaver	04-01-24 to 12-31-25



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

This report is supplemental to the audit report of the City of Peru (City), for the period from January 1, 2023 to December 31, 2024. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with the Financial Statement Audit Report of the City, which provides our opinions on the City's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

April 16, 2025



CLERK-TREASURER
CITY OF PERU

CLERK-TREASURER
CITY OF PERU
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

A similar comment also appeared in prior Report 000001415S, entitled *ANNUAL FINANCIAL REPORT - OTHER INFORMATION*.

Condition and Context

The City did not have adequate internal controls in place to ensure other information was properly reported in the Annual Financial Report (AFR). The City reported capital asset information in 2023 and 2024 AFRs through the Indiana Gateway for Government Units financial reporting system. The amounts reported for both years were not supported by documentation provided by the City and the Utility Office. Due to the material differences, the capital asset information reported in the AFR was not presented as Other Information in the Financial Statement Audit Report of the City.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

Each reporting entity shall be permitted to report capital assets owned by the reporting entity on this schedule. If presented, this schedule should include all capital assets owned at the end of the fiscal period. The capital assets should be reported in the following categories: land; infrastructure; buildings; improvements other than buildings; machinery; equipment and vehicles; construction in progress; and books and other. The actual cost of the assets should be used for this schedule. If the actual cost is not known, a reasonable estimate of the cost should be determined and used for reporting purposes. (Accounting and Financial Reporting Regulation Manual-2011, Part III)

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes. . . ."

CLERK-TREASURER
CITY OF PERU
AUDIT RESULTS AND COMMENTS
(Continued)

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Report 000001415S.

Condition and Context

The City did not have adequate internal controls in place to ensure fund balances were not overdrawn. The financial statement presented in the Financial Statement Audit Report of the City included the following funds with overdrawn cash balances at December 31, 2023 and 2024:

Fund	Cash and Investments 12-31-23	Cash and Investments 12-31-24
PAYROLL-CIVIL PERF	\$ (28,744)	\$ (28,953)
PAYROLL-VOLUNT.CIVIL PERF	(65,081)	(65,034)
PAYROLL-FIRE RETIREMENT	(33,952)	(34,116)
PAYROLL-POLICE RETIREMENT	(11,657)	(11,657)
COURT COST - DUE COUNTY	(55)	-
PAYROLL-VISION	(246)	-

Criteria

The cash 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 unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes. . . ."

CLERK-TREASURER
CITY OF PERU
EXIT CONFERENCE

The contents of this report were discussed on April 16, 2025, with Andrea Newnum, Clerk-Treasurer; Don Sturch, Mayor; Tim Fisher, President Pro Tempore of the Common Council; Drew Stevenson, Common Council member; Mary Costin, Chair of the Utility Service Board; Josh Chance, Utilities General Manager; and Michele Cleaver, Utilities Finance Manager.

UTILITIES
CITY OF PERU

UTILITIES
CITY OF PERU
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

This same comment also appeared in prior Report 000001415S, entitled *CAPITAL ASSETS*.

Condition and Context

The Utilities did not have adequate internal controls in place to ensure compliance with capital asset requirements.

A complete, detailed listing of capital assets owned by the Utilities was not available for examination. Additionally, evidence that a complete physical inventory of the Utilities' capital assets had been performed every two years as required was not presented for audit.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes. . . ."

ORDINANCES AND RESOLUTIONS

Condition and Context

The Utilities did not have adequate internal controls in place to ensure compliance with their utility rate ordinances.

A total of 25 utility bills were selected for testing compliance with laws and regulations, including utility rate ordinances. Of the 25 bills selected 1 contained an error in the fuel adjustment rate charged to the customer. The fuel adjustment rate for residential service customers for Quarter 2 in 2023 was .046604 per kWh, per the Ordinance passed by the Peru Utility Service Board. However, the customer was charged .004029 per kWh. Per inquiry with Utility staff, all bills for Quarter 2 in 2023 in the same batch as the one selected for testing, which were charged the residential service, would have been charged the incorrect rate.

UTILITIES
CITY OF PERU
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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MONTHLY AND ANNUAL UPLOADS - CITY UTILITIES

A similar comment also appeared in prior Report 000001415S, entitled *MONTHLY AND ANNUAL ENGAGEMENT UPLOADS*.

Condition and Context

The Utilities did not have adequate internal controls in place to ensure compliance with monthly and annual upload requirements.

The Utilities did not upload a portion of the required monthly files on the Indiana Gateway for Government Units financial reporting system. Fund ledgers for the Utilities were not uploaded for 24 months of the audit period. Outstanding check lists were not uploaded for 3 months of the audit period. Bank statements were only uploaded for one of the utility bank accounts for all months of the audit period.

Additionally, required annual uploads, including year-end investment statements, detail of receipts, detail of disbursements, approved salary ordinance, annual vendor history, and annual fund ledgers, were not uploaded for either year of the audit period.

Criteria

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021; Updated October 30, 2023, effective with the December 2023 monthly uploads due February 15, 2024, and the 2023 annual uploads due March 1, 2024)

UTILITIES
CITY OF PERU
AUDIT RESULTS AND COMMENTS
(Continued)

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

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UTILITIES
CITY OF PERU
EXIT CONFERENCE

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