

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

EXAMINATION REPORT  
OF  
CITY OF PERU  
MIAMI COUNTY, INDIANA  
January 1, 2008 to December 31, 2008



**FILED**  
10/29/2009



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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



**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](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the City of Peru (City), for the period of January 1, 2008 to December 31, 2008. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

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

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

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

STATE BOARD OF ACCOUNTS

September 17, 2009

CITY OF PERU  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES  
As Of And For The Year Ended December 31, 2008

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
<b>Governmental Funds:</b>				
General	\$ 1,234,403	\$ 7,377,460	\$ 8,085,694	\$ 526,169
Fire Territory	-	2,331,908	2,154,952	176,956
Aviation Commission	(8,299)	84,141	70,072	5,770
Park Nonreverting	6,140	5,500	11,640	-
Perpetuation	18,849	19,080	17,753	20,176
Criminal Investigations	5,091	15,874	15,576	5,389
Peru Metro Fire	2,171	11,620	11,033	2,758
Rainy Day	141,134	50,417	-	191,551
Education Summit	3,660	5,154	7,365	1,449
Cable Television	88,037	20,976	810	108,203
CEDIT	581,665	958,179	819,672	720,172
Pretrial Deferral Program	85,575	-	84,348	1,227
Riverfront Walkway	3,439	-	-	3,439
Unsafe Bldg/Insp/Eng	32,082	60,000	-	92,082
IU Child Seat Grant	236	500	-	736
Airport Taxiway/FAA Grant	34,221	72,422	105,796	847
Airport Improvement Projects	-	4,500	4,500	-
Debt Service	39,726	221,511	225,022	36,215
Golf Irrigation System	63,158	17,122	20,011	60,269
Evidence Trust	10,002	-	-	10,002
Bond Proceeds/Project	329,985	-	31,263	298,722
Park Nonreverting Capital	1,211	-	-	1,211
Special Street & San CCI	77,518	9,350	-	86,868
Cumulative Capital Dev	18,854	122,022	-	140,876
Fire Territory Debt/Equip	3,916	164,336	88,500	79,752
Local Road & Street	96,956	51,860	42,626	106,190
Motor Vehicle Highway	300,596	741,279	777,974	263,901
Local Law Enforce Cont Ed	21,170	14,463	9,488	26,145
Park	2,003	512,778	449,969	64,812
Parking Meter	16,132	185	-	16,317
CCIF	232,387	42,257	-	274,644
<b>Proprietary Funds:</b>				
Electric Utility - Operating	2,566,698	23,626,825	22,655,768	3,537,755
Electric Utility - Depreciation	2,163,995	1,804,975	2,099,188	1,869,782
Wastewater Meter Deposit	21,865	14,795	11,165	25,495
Electric Meter Deposit	150,285	95,210	83,845	161,650
Electric Utility - Self Insurance	170,906	770,026	645,758	295,174
Wastewater Utility - Operating	351,636	3,495,792	3,368,928	478,500
Wastewater/Water Opr/Grissom	501,354	879,192	736,078	644,468
Wastewater Debt Sinking	1,245,530	-	-	1,245,530
Wastewater Retainage Construction	75,003	1,220	-	76,223
Wastewater Construction	197,662	91,481	-	289,143
Wastewater Improvement	2,809,236	1,883,320	2,160,308	2,532,248
Wastewater/Water Impr/Grissom	877,318	161,922	582,258	456,982
Storm water Improvement	170,522	61,901	229,652	2,771
Wastewater/Water Deposit/ Grissom	12,320	12,490	8,510	16,300
Wastewater/Storm Water Fees	202,973	390,293	266,846	326,420
Wastewater Bond Sinking	523,924	1,115,419	1,206,593	432,750
Water Operating	156,628	1,705,273	1,774,228	87,673
Water Oper/Grissom	306,902	740,592	704,307	343,187
Water Depreciation	636,547	410,796	392,582	654,761
Water Depreciation/Grissom	208,115	97,218	223,615	81,718
Water Meter Deposit	23,320	14,145	11,710	25,755
Water Deposit/Grissom	14,160	14,475	9,585	19,050
<b>Fiduciary Funds:</b>				
Police Officers' Pension	74,447	509,216	529,430	54,233
Firefighters' Pension	114,065	758,539	756,438	116,166
City Courts	10,104	659,615	652,808	16,911
Court Cost - Due County	-	56,935	56,935	-
User Fee	9,347	9,685	4,838	14,194
Payroll	79,421	6,750,124	6,735,063	94,482
<b>Totals</b>	<b>\$ 17,116,301</b>	<b>\$ 59,046,368</b>	<b>\$ 58,940,500</b>	<b>\$ 17,222,169</b>

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

CITY OF PERU  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

Note 2. Fund Accounting

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

Note 3. Budgets

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

Note 4. Property Taxes

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

Note 5. Deposits and Investments

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

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

CITY OF PERU  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

CITY OF PERU  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS  
For The Year Ended December 31, 2008

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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 711,448
Infrastructure	84,604,669
Buildings	8,038,102
Improvements other than buildings	3,939,694
Machinery and equipment	<u>7,598,952</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 104,892,865</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 101,208
Construction in progress	28,179
Capital assets being depreciated:	
Buildings	2,999,064
Improvements other than buildings	13,020,364
Machinery and equipment	2,345,826
Less accumulated depreciation	<u>(4,835,512)</u>
Total Water Utility capital assets	<u>13,659,129</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	305,307
Construction in progress	464,455
Capital assets being depreciated:	
Buildings	8,868,247
Improvements other than buildings	16,787,739
Machinery and equipment	10,306,835
Less accumulated depreciation	<u>(6,108,512)</u>
Total Wastewater Utility capital assets	<u>30,624,071</u>
Electric Utility:	
Capital assets, not being depreciated:	
Land	163,271
Construction in progress	119,630
Capital assets being depreciated:	
Buildings	3,869,089
Improvements other than buildings	41,561,467
Machinery and equipment	1,815,828
Less accumulated depreciation	<u>(30,729,685)</u>
Total Electric Utility capital assets	<u>16,799,600</u>
Storm Water Utility:	
Capital assets, not being depreciated:	
Construction in progress	214,788
Capital assets being depreciated:	
Buildings	597
Machinery and equipment	85,069
Improvements other than buildings	897,102
Less accumulated depreciation	<u>(51,436)</u>
Total Storm Water Utility capital assets	<u>1,146,120</u>
Total business-type activities capital assets	<u>\$ 62,228,920</u>

CITY OF PERU  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2008

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	\$ 830,000	\$ 40,000
Infrastructure	3,165,000	220,000
Machinery and equipment	524,690	168,993
Transportation equipment	77,635	42,751
Notes and loans payable	229,313	54,547
Bonds payable:		
General obligation bonds:		
Buildings, infrastructure and equipment bonds of 2004	<u>940,000</u>	<u>229,815</u>
Total governmental activities debt	<u>\$ 5,766,638</u>	<u>\$ 756,106</u>
Business-type activities:		
Wastewater Utility:		
Notes and loans:		
Wastewater treatment plant project	<u>\$ 12,865,532</u>	<u>\$ 1,008,295</u>

CITY OF PERU  
OTHER REPORT

The 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  
EXAMINATION RESULT AND COMMENT

ERRORS ON CLAIMS

The following deficiency was noted on claims during the exam period:

Not all claims paid had fully itemized invoices or bills attached.

IC 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

CITY OF PERU  
EXIT CONFERENCE

The contents of this report were discussed on September 17, 2009, with James R. Walker, Mayor; and Jackquan E. Gray, Clerk-Treasurer. The officials concurred with our finding.