

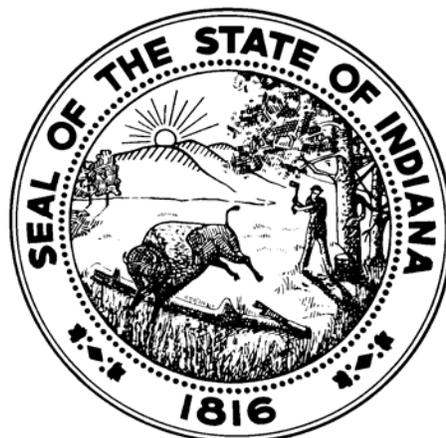
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2006

CITY OF BERNE MUNICIPAL UTILITIES

ADAMS COUNTY, INDIANA



FILED

10/10/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Gwendolyn J. Maller	01-01-04 to 12-31-07
Mayor	John F. Minch	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	John F. Minch	01-01-04 to 12-31-07
President of the Common Council	William F. McKean	01-01-06 to 12-31-07
Water Utility Superintendent	Roger D. Parrett	01-01-06 to 12-31-07
Wastewater Utility Superintendent	Terry L. Konger, Jr.	01-01-06 to 12-31-07
Stormwater Utility Superintendent	Shannon W. Smitley	01-01-06 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF BERNE MUNICIPAL UTILITIES, ADAMS COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the City of Berne Municipal Utilities (Utilities), departments of the City of Berne, as of and for the year ended December 31, 2006. These financial statements are the responsibility of the Utilities' management. Our responsibility is to express an opinion 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. 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 opinion.

As discussed in Note I, the financial statements of the Utilities are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Utilities. They do not purport to, and do not, present fairly the financial position of the City of Berne as of December 31, 2006, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with 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 financial position of the business-type activities for the Utilities, as of December 31, 2006, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 Utilities have not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

August 27, 2007

CITY OF BERNE MUNICIPAL UTILITIES
STATEMENT OF NET ASSETS
December 31, 2006

<u>Assets</u>	Water Utility	Wastewater Utility	Storm Water Utility
Current assets:			
Cash and cash equivalents	\$ 869,583	\$ 24,348	\$ 137,019
Accounts receivable	2,574	4,525	5,367
Inventories	72,955	-	-
Prepaid items	<u>7,165</u>	<u>6,347</u>	<u>1,355</u>
Total current assets	<u>952,277</u>	<u>35,220</u>	<u>143,741</u>
Noncurrent assets:			
Restricted cash, cash equivalents and investments:			
Depreciation cash and investments	580,818	207,734	-
Bond and interest cash	38,290	24,265	69,979
Construction cash and investments	-	94,155	2,660,290
Reserve cash	-	208,694	347,150
Interfund receivable	370,000	-	-
Contract receivable	-	24,113	-
Interest receivable	<u>2,078</u>	<u>52</u>	<u>13,598</u>
Total restricted assets	<u>991,186</u>	<u>559,013</u>	<u>3,091,017</u>
Deferred charges	<u>-</u>	<u>51,559</u>	<u>129,495</u>
Capital assets:			
Land and construction in progress	69,678	228,886	784,114
Other capital assets (net of accumulated depreciation)	<u>1,515,715</u>	<u>4,503,452</u>	<u>213,217</u>
Total capital assets	<u>1,585,393</u>	<u>4,732,338</u>	<u>997,331</u>
Total noncurrent assets	<u>2,576,579</u>	<u>5,342,910</u>	<u>4,217,843</u>
Total assets	<u>3,528,856</u>	<u>5,378,130</u>	<u>4,361,584</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	6,870	16,606	152,861
Wages payable	113	318	289
Revenue bonds payable	-	115,000	220,000
Accrued interest payable	<u>-</u>	<u>6,750</u>	<u>11,541</u>
Total current liabilities	<u>6,983</u>	<u>138,674</u>	<u>384,691</u>
Noncurrent liabilities:			
Revenue bonds payable (net of deferred amount on refunding)	-	1,523,505	3,220,000
Interfund payable	<u>-</u>	<u>300,000</u>	<u>70,000</u>
Total noncurrent liabilities	<u>-</u>	<u>1,823,505</u>	<u>3,290,000</u>
Total liabilities	<u>6,983</u>	<u>1,962,179</u>	<u>3,674,691</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	1,585,393	3,093,833	213,217
Restricted for debt service	-	232,959	417,129
Restricted for other purposes	619,108	301,889	2,660,290
Unrestricted	<u>1,317,372</u>	<u>(212,730)</u>	<u>(2,603,743)</u>
Total net assets	<u>\$ 3,521,873</u>	<u>\$ 3,415,951</u>	<u>\$ 686,893</u>

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

CITY OF BERNE MUNICIPAL UTILITIES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2006

	Water Utility	Wastewater Utility	Storm Water Utility
Operating revenues:			
Metered water revenue	\$ 311,983	\$ -	\$ -
Unmetered revenue	-	-	470,197
Fire protection revenue	63,112	-	-
Measured revenue	-	469,679	-
Other	<u>9,652</u>	<u>3,180</u>	<u>600</u>
 Total operating revenues	 <u>384,747</u>	 <u>472,859</u>	 <u>470,797</u>
 Operating expenses:			
Salaries and wages	125,724	106,251	55,896
Employee pensions and benefits	40,429	36,199	13,578
Purchased power	42,625	41,466	-
Chemicals	22,541	-	-
Materials and supplies	128,049	86,098	37,722
Contractual services	6,333	25,294	135,159
Transportation expenses	3,855	7,130	1,701
Insurance expense	16,441	16,953	6,244
Depreciation	75,273	104,171	11,390
Miscellaneous expenses	<u>10,629</u>	<u>2,366</u>	<u>2,512</u>
 Total operating expenses	 <u>471,899</u>	 <u>425,928</u>	 <u>264,202</u>
 Operating income (loss)	 <u>(87,152)</u>	 <u>46,931</u>	 <u>206,595</u>
 Nonoperating revenues (expenses):			
Interest and investment revenue	78,976	32,926	16,178
Miscellaneous revenue	-	1,985	-
Interest expense	-	(95,267)	-
Amortization of bond issuance costs	<u>-</u>	<u>(4,721)</u>	<u>(945)</u>
 Total nonoperating revenues (expenses)	 <u>78,976</u>	 <u>(65,077)</u>	 <u>15,233</u>
 Income (loss) before transfers	 (8,176)	 (18,146)	 221,828
 Transfers out	 <u>(500,000)</u>	 <u>-</u>	 <u>-</u>
 Change in net assets	 (508,176)	 (18,146)	 221,828
 Total net assets - beginning	 <u>4,030,049</u>	 <u>3,434,097</u>	 <u>465,065</u>
 Total net assets - ending	 <u>\$ 3,521,873</u>	 <u>\$ 3,415,951</u>	 <u>\$ 686,893</u>

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

CITY OF BERNE MUNICIPAL UTILITIES
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Year Ended December 31, 2006

	Water Utility	Wastewater Utility	Storm Water Utility
Cash flows from operating activities:			
Receipts from customers and users	\$ 383,297	\$ 471,654	\$ 469,203
Payments to suppliers and contractors	(230,965)	(177,633)	(177,545)
Payments to employees	(166,226)	(142,396)	(69,296)
Interfund services provided (used)	40,000	-	(40,000)
Other receipts	-	22,971	-
Net cash provided by operating activities	<u>26,106</u>	<u>174,596</u>	<u>182,362</u>
Cash flows from noncapital financing activities:			
Transfer to other funds	<u>(500,000)</u>	-	-
Cash flows from capital and related financing activities:			
Proceeds from capital debt	-	-	3,405,600
Acquisition and construction of capital assets	(19,438)	(164,068)	(606,576)
Principal paid on capital debt	-	(110,000)	-
Interest paid on capital debt	-	(84,718)	(13,850)
Bond issuance costs paid	-	-	(96,040)
Net cash provided (used) by capital and related financing activities	<u>(19,438)</u>	<u>(358,786)</u>	<u>2,689,134</u>
Cash flows from investing activities:			
Purchase of investments	-	-	(2,000,000)
Interest received	<u>78,797</u>	<u>34,961</u>	<u>27,971</u>
Net cash provided (used) by investing activities	<u>78,797</u>	<u>34,961</u>	<u>(1,972,029)</u>
Net increase (decrease) in cash and cash equivalents	(414,535)	(149,229)	899,467
Cash and cash equivalents, January 1	<u>1,653,226</u>	<u>708,425</u>	<u>314,971</u>
Cash and cash equivalents, December 31	<u>\$ 1,238,691</u>	<u>\$ 559,196</u>	<u>\$ 1,214,438</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	<u>\$ (87,152)</u>	<u>\$ 46,931</u>	<u>\$ 206,595</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	75,273	104,171	11,390
(Increase) decrease in assets:			
Accounts receivable	(1,450)	(1,205)	(1,594)
Interfund receivable	40,000	-	-
Contract receivable	-	22,971	-
Inventories	(3,177)	-	-
Prepaid items	3,560	4,272	1,584
Increase (decrease) in liabilities:			
Accounts payable	218	(2,598)	4,209
Wages payable	(73)	54	178
Interfund payable	-	-	(40,000)
Taxes payable	(1,093)	-	-
Total adjustments	<u>113,258</u>	<u>127,665</u>	<u>(24,233)</u>
Net cash provided by operating activities	<u>\$ 26,106</u>	<u>\$ 174,596</u>	<u>\$ 182,362</u>
Noncash investing, capital and financing activities:			
Purchase of equipment on account	\$ -	\$ 11,328	\$ 147,517
Bond issue costs withheld from proceeds	-	-	34,400

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

CITY OF BERNE MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the City of Berne Municipal Utilities and are not intended to present fairly the position of the City of Berne (City). The Utilities, whose operations are controlled by the City, represent all of the City's enterprise funds.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the business-type activity are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Utilities' cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statute (IC 5-13-9) authorizes the Utilities 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.

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method.

CITY OF BERNE MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets balance sheet because their use is limited by applicable bond covenants.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements.

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.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 1,000	Composite rate	2%
Improvements other than buildings	1,000	Composite rate	1% to 5%
Machinery and equipment	1,000	Composite rate	5%
Transportation equipment	1,000	Straight-line	10 years

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

5. Compensated Absences

- a. Sick Leave – Utility employees earn sick leave at various rates with a maximum of 25 days per year after 15 years of service. Unused sick leave may be accumulated to a maximum of 30 days. Accumulated sick leave is not paid to employees upon termination of employment.
- b. Vacation Leave – Utility employees earn vacation leave at rates from 5 days to 20 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.
- c. Personal Leave – Utility employees earn personal leave at the rate of 3 days per year. Personal leave does not accumulate from year to year.

No liability is reported for vacation, sick and personal leave.

CITY OF BERNE MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

II. Detailed Notes on All Funds

A. 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.

B. Receivables

The following receivable accounts have timing and credit characteristics different from typical accounts receivable. The Wastewater Utility has a contract with the Town of Monroe for its share of 2001 Capital Improvements.

Year Ended December 31	Principal	Interest
2007	<u>\$ 24,113</u>	<u>\$ 892</u>

C. Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 69,678	\$ -	\$ -	\$ 69,678
Capital assets, being depreciated:				
Buildings	1,510,521	-	-	1,510,521
Improvements other than buildings	1,602,642	10,498	-	1,613,140
Machinery and equipment	245,949	8,940	1,602	253,287
Transportation equipment	<u>75,990</u>	<u>-</u>	<u>-</u>	<u>75,990</u>
Totals	<u>3,435,102</u>	<u>19,438</u>	<u>1,602</u>	<u>3,452,938</u>

CITY OF BERNE MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility (continued):				
Capital assets, being depreciated (continued):				
Less accumulated depreciation for:				
Buildings	797,746	30,210	-	827,956
Improvements other than buildings	913,937	25,968	-	939,905
Machinery and equipment	105,362	12,296	1,602	116,056
Transportation equipment	46,507	6,799	-	53,306
Totals	1,863,552	75,273	1,602	1,937,223
Total capital assets, being depreciated, net	1,571,550	(55,835)	-	1,515,715
Total Water Utility capital assets, net	\$ 1,641,228	\$ (55,835)	\$ -	\$ 1,585,393
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 54,850	\$ -	\$ -	\$ 54,850
Construction in progress	-	174,036	-	174,036
Total capital assets, not being depreciated	54,850	174,036	-	228,886
Capital assets, being depreciated:				
Buildings	2,709,074	-	-	2,709,074
Improvements other than buildings	3,008,475	-	-	3,008,475
Machinery and equipment	398,091	-	-	398,091
Totals	6,115,640	-	-	6,115,640
Less accumulated depreciation for:				
Buildings	906,982	54,183	-	961,165
Improvements other than buildings	434,828	30,085	-	464,913
Machinery and equipment	166,207	19,903	-	186,110
Totals	1,508,017	104,171	-	1,612,188
Total capital assets, being depreciated, net	4,607,623	(104,171)	-	4,503,452
Total Wastewater Utility capital assets, net	\$ 4,662,473	\$ 69,865	\$ -	\$ 4,732,338

CITY OF BERNE MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Storm Water Utility:				
Capital assets, not being depreciated:				
Construction in progress	\$ 32,521	\$ 751,593	\$ -	\$ 784,114
Capital assets, being depreciated:				
Machinery and equipment	227,809	2,500	-	230,309
Less accumulated depreciation for:				
Machinery and equipment	<u>5,702</u>	<u>11,390</u>	<u>-</u>	<u>17,092</u>
Total capital assets, being depreciated, net	<u>222,107</u>	<u>(8,890)</u>	<u>-</u>	<u>213,217</u>
Total Storm Water Utility capital assets, net	<u>\$ 254,628</u>	<u>\$ 742,703</u>	<u>\$ -</u>	<u>\$ 997,331</u>

Depreciation expense was charged to functions/programs of the Utilities as follows:

Water	\$ 75,273
Wastewater	104,171
Storm Water	<u>11,390</u>
Total depreciation expense	<u>\$ 190,834</u>

D. Construction Commitments

Construction work in progress is composed of the following:

<u>Project</u>	<u>Total Project Authorized</u>	<u>Expended to December 31, 2006</u>	<u>Committed</u>	<u>Required Future Funding</u>
Wastewater Utility:				
North sanitary interceptor engineering	\$ 206,978	\$ 174,036	\$ 32,942	\$ -
Storm Water Utility:				
South trunk line	<u>1,027,920</u>	<u>784,114</u>	<u>243,806</u>	<u>-</u>
Totals	<u>\$ 1,234,898</u>	<u>\$ 958,150</u>	<u>\$ 276,748</u>	<u>\$ -</u>

CITY OF BERNE MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Interfund Balances and Activity

1. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2006, is as follows:

Due To	Due From		Total
	Wastewater Utility	Storm Water Utility	
Water Utility	\$ 300,000	\$ 70,000	\$ 370,000

2. Interfund Transfers

Interfund transfers at December 31, 2006, were as follows:

Transfer From	Transfer To General Fund
Water Utility	\$ 500,000

The Utilities typically uses transfers to fund ongoing operating subsidies.

F. Long-Term Liabilities

1. Revenue Bonds

The Utilities issue bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
1997 Wastewater revenue bonds	4.55% to 5.1%	\$ 1,665,000
2006 Storm Water revenue bonds	4% to 4.15%	3,440,000
Total		\$ 5,105,000

CITY OF BERNE MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Wastewater Utility		Storm Water Utility	
	Principal	Interest	Principal	Interest
2007	\$ 115,000	\$ 79,754	\$ 220,000	\$ 134,097
2008	120,000	74,392	230,000	125,098
2009	130,000	68,741	240,000	115,697
2010	135,000	62,664	255,000	105,798
2011	140,000	56,115	265,000	95,397
2012-2016	830,000	168,371	1,515,000	304,388
2017-2018	195,000	7,523	715,000	29,896
Totals	<u>\$ 1,665,000</u>	<u>\$ 517,560</u>	<u>\$ 3,440,000</u>	<u>\$ 910,371</u>

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable:					
Wastewater Utility	\$ 1,775,000	\$ -	\$ 110,000	\$ 1,665,000	\$ 115,000
Storm Water Utility	-	3,440,000	-	3,440,000	220,000
Less deferred amount on refunding	(37,457)	-	(10,962)	(26,495)	-
Total long-term liabilities	<u>\$ 1,737,543</u>	<u>\$ 3,440,000</u>	<u>\$ 99,038</u>	<u>\$ 5,078,505</u>	<u>\$ 335,000</u>

III. Other Information

A. Risk Management

The Utilities are 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; 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 these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

CITY OF BERNE MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

Job Related Illnesses or Injuries to Employees

During 2002, the Utilities joined the Indiana Public Employers' Plan, Inc., a public entity risk pool currently operating as a common risk management and insurance program for approximately 350 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 risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

B. Rate Structure

1. Water Utility

The current rate structure was approved by the City Council on November 13, 2000. The Utility has 1,495 customers.

2. Wastewater Utility

The current rate structure was approved by the City Council on November 13, 2000. The Utility has 1,501 customers.

3. Storm Water Utility

The current rate structure was approved by the City Council on June 14, 2004. The Utility has 1,522 customers.

C. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City, including the Utilities, 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 Utilities 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

CITY OF BERNE MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Utilities' annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the City as a whole.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 46,984
Interest on net pension obligation	(4,250)
Adjustment to annual required contribution	4,843
Annual pension cost	47,577
Contributions made	44,788
Increase in net pension obligation	2,789
Net pension obligation, beginning of year	(58,616)
Net pension obligation, end of year	\$ (55,827)
Contribution rates:	
Utilities	7.5%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

CITY OF BERNE MUNICIPAL UTILITIES
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 36,178	144%	\$ (48,793)
	06-30-05	37,107	126%	(58,616)
	06-30-06	47,577	121%	(55,827)

CITY OF BERNE MUNICIPAL UTILITIES
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 445,198	\$ 600,631	\$ (155,433)	74%	\$ 535,049	(29%)
07-01-05	482,492	703,830	(221,338)	69%	628,413	(35%)
07-01-06	617,133	746,175	(129,042)	83%	613,752	(21%)

CITY OF BERNE MUNICIPAL UTILITIES
EXIT CONFERENCE

The contents of this report were discussed on August 27, 2007, with Gwendolyn J. Maller, Clerk-Treasurer; and John F. Minch, Mayor. Our audit disclosed no material items that warrant comment at this time.