

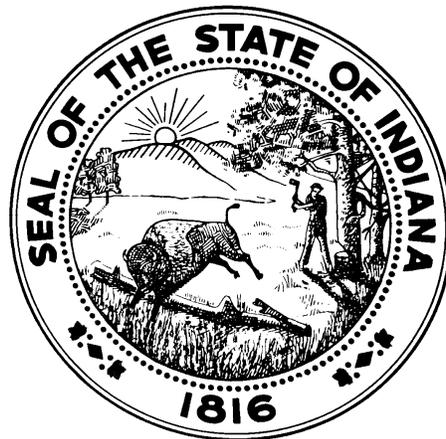
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2008

CITY OF BERNE MUNICIPAL UTILITIES

ADAMS COUNTY, INDIANA



FILED
07/14/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Gwendolyn J. Maller	01-01-08 to 12-31-11
Mayor	John F. Minch	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	John F. Minch	01-01-08 to 12-31-11
President of the Common Council	Gregg A. Sprunger	01-01-08 to 12-31-09
Water Utility Superintendent	John A. Crider	01-01-08 to 12-31-09
Wastewater Utility Superintendent	Terry L. Konger, Jr.	01-01-08 to 12-31-09
Storm Water Utility Superintendent	Shannon W. Smitley	01-01-08 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined 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, 2008. These financial statements are the responsibility of the Utilities' management. Our responsibility is to express an opinion on these financial statements 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.

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, 2008, 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 financial position of the business-type activities of the Utilities as of December 31, 2008, 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 examine the information and express no opinion on it.

The Utilities have not presented Management Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

May 19, 2009

CITY OF BERNE MUNICIPAL UTILITIES
STATEMENT OF NET ASSETS
December 31, 2008

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Storm Water Utility</u>
Current assets:			
Cash and cash equivalents	\$ 731,833	\$ -	\$ 75,961
Accounts receivable	6,582	12,607	3,855
Inventories	71,865	-	-
Prepaid items	<u>8,814</u>	<u>8,814</u>	<u>1,851</u>
Total current assets	<u>819,094</u>	<u>21,421</u>	<u>81,667</u>
Noncurrent assets:			
Restricted cash, cash equivalents and investments:			
Depreciation cash and investments	708,789	217,576	-
Bond and interest cash and investments	40,796	25,612	163,459
Construction cash and investments	-	201,051	615,655
Reserve cash and investments	-	6,192	370,358
SRF bond and interest cash and investments	-	11,498	-
SRF construction cash and investments	-	1,663,306	-
SRF reserve cash and investments	-	218,179	-
Interest receivable	1,123	-	10,884
Interfund loans receivable	<u>353,500</u>	<u>8,833</u>	<u>-</u>
Total restricted assets:	<u>1,104,208</u>	<u>2,352,247</u>	<u>1,160,356</u>
Deferred charges	<u>-</u>	<u>42,117</u>	<u>106,809</u>
Capital assets:			
Land, improvements to land and construction in progress	69,678	1,384,824	244,402
Other capital assets (net of accumulated depreciation)	<u>1,401,345</u>	<u>4,319,942</u>	<u>2,896,726</u>
Total capital assets	<u>1,471,023</u>	<u>5,704,766</u>	<u>3,141,128</u>
Total noncurrent assets	<u>2,575,231</u>	<u>8,099,130</u>	<u>4,408,293</u>
Total assets	<u>3,394,325</u>	<u>8,120,551</u>	<u>4,489,960</u>
Liabilities			
Current liabilities:			
Accounts payable	6,083	3,955	204
Wages payable	2,755	1,727	1,270
Interfund loans payable	-	-	26,833
Taxes payable	1,513	-	-
Current liabilities payable from restricted assets:			
Loan payable	-	36,000	-
Revenue bonds payable	-	130,000	240,000
Contracts payable	-	413,390	-
Accrued interest payable	<u>-</u>	<u>14,163</u>	<u>10,041</u>
Total current liabilities	<u>10,351</u>	<u>599,235</u>	<u>278,348</u>
Noncurrent liabilities:			
Loan payable	-	2,438,000	-
Revenue bonds payable (net of deferred amount on refunding)	-	1,295,429	2,750,000
Interfund loans payable	<u>-</u>	<u>300,000</u>	<u>35,500</u>
Total noncurrent liabilities	<u>-</u>	<u>4,033,429</u>	<u>2,785,500</u>
Total liabilities	<u>10,351</u>	<u>4,632,664</u>	<u>3,063,848</u>
Net Assets			
Invested in capital assets, net of related debt	1,471,023	1,391,947	151,128
Restricted for debt service	-	261,481	533,817
Restricted for other purposes	749,585	2,081,933	615,655
Unrestricted	<u>1,163,366</u>	<u>(247,474)</u>	<u>125,512</u>
Total net assets	<u>\$ 3,383,974</u>	<u>\$ 3,487,887</u>	<u>\$ 1,426,112</u>

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

CITY OF BERNE MUNICIPAL UTILITIES
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2008

	Water Utility	Wastewater Utility	Storm Water Utility
Operating revenues:			
Unmetered revenue	\$ -	\$ -	\$ 553,019
Metered water revenue	313,065	-	-
Fire protection revenue	63,434	-	-
Other water revenue	16,962	-	-
Measured revenue	-	598,874	-
Other	-	8,360	11,250
	<u>393,461</u>	<u>607,234</u>	<u>564,269</u>
 Total operating revenues			
Operating expenses:			
Salaries and wages	151,708	128,794	65,738
Employee pensions and benefits	43,575	41,358	18,971
Purchased power	53,523	37,496	-
Chemicals	33,014	-	-
Materials and supplies	116,163	63,127	39,278
Contractual services	6,755	44,205	44,829
Transportation expenses	5,426	7,612	2,142
Insurance expense	11,217	11,217	1,091
Depreciation	75,194	104,719	31,319
Miscellaneous expenses	9,469	2,874	1,363
	<u>506,044</u>	<u>441,402</u>	<u>204,731</u>
 Total operating expenses			
Operating income (loss)	<u>(112,583)</u>	<u>165,832</u>	<u>359,538</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	33,310	8,493	30,505
Miscellaneous revenue	-	356	-
Interest expense	-	(84,875)	(41,444)
Amortization of bond issuance costs	-	(4,721)	(11,343)
	<u>33,310</u>	<u>(80,747)</u>	<u>(22,282)</u>
 Total nonoperating revenues (expenses)			
Change in net assets	<u>(79,273)</u>	<u>85,085</u>	<u>337,256</u>
Total net assets - beginning	<u>3,463,247</u>	<u>3,402,802</u>	<u>1,088,856</u>
Total net assets - ending	<u>\$ 3,383,974</u>	<u>\$ 3,487,887</u>	<u>\$ 1,426,112</u>

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

CITY OF BERNE MUNICIPAL UTILITIES
STATEMENT OF CASH FLOWS
As Of And For The Year Ended December 31, 2008

	Water Utility	Wastewater Utility	Storm Water Utility
Cash flows from operating activities:			
Receipts from customers and users	\$ 390,913	\$ 600,909	\$ 568,752
Payments to suppliers and contractors	(249,810)	(178,032)	(91,186)
Payments to employees	(192,688)	(169,176)	(83,891)
Net cash provided (used) by operating activities	<u>(51,585)</u>	<u>253,701</u>	<u>393,675</u>
Cash flows from noncapital financing activities:			
Interfund loans	<u>16,500</u>	<u>(8,833)</u>	<u>(16,500)</u>
Cash flows from capital and related financing activities:			
Proceeds from capital debt	-	2,515,000	-
Acquisition and construction of capital assets	(36,668)	(707,778)	(1,420,159)
Principal paid on capital debt	-	(161,000)	(230,000)
Interest paid on capital debt	-	(116,885)	(125,098)
Net cash provided (used) by capital and related financing activities	<u>(36,668)</u>	<u>1,529,337</u>	<u>(1,775,257)</u>
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	-	-	700,000
Purchase of investments	-	-	(600,000)
Interest received	<u>34,719</u>	<u>34,557</u>	<u>38,303</u>
Net cash provided by investing activities	<u>34,719</u>	<u>34,557</u>	<u>138,303</u>
Net increase (decrease) in cash and cash equivalents	(37,034)	1,808,762	(1,259,779)
Cash and cash equivalents, January 1	<u>1,268,452</u>	<u>534,652</u>	<u>1,885,212</u>
Cash and cash equivalents, December 31	<u>\$ 1,231,418</u>	<u>\$ 2,343,414</u>	<u>\$ 625,433</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (112,583)	\$ 165,832	\$ 359,538
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	75,194	104,719	31,319
(Increase) decrease in assets:			
Accounts receivable	(2,548)	(6,325)	4,483
Inventories	(9,404)	-	-
Prepaid items	(645)	(645)	(212)
Increase (decrease) in liabilities:			
Accounts payable	(4,706)	(10,856)	(2,271)
Wages payable	2,595	976	818
Taxes payable	512	-	-
Total adjustments	<u>60,998</u>	<u>87,869</u>	<u>34,137</u>
Net cash provided (used) by operating activities	<u>\$ (51,585)</u>	<u>\$ 253,701</u>	<u>\$ 393,675</u>
Noncash investing, capital and financing activities:			
Purchase of equipment on account	\$ -	\$ 413,390	\$ 8,833
Capital assets acquired through capitalized debt interest	-	25,113	66,295

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 Other 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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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. The total interest expense incurred by the Utilities during the current year was \$260,027. Of the amount, \$50,821 and \$82,887 were included as part of the cost of capital assets under construction in connection with various wastewater and storm water projects, respectively.

5. Compensated Absences

- a. Sick Leave – Utility employees earn sick leave at the rate of 25 days per year. Unused sick leave may be accumulated to a maximum of 30 days. Accumulated sick leave is not paid to employees upon termination.
- 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.

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

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

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. Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

Water Utility:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
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	1,613,140	18,581	-	1,631,721
Machinery and equipment	255,935	1,922	725	257,132
Transportation equipment	75,990	16,165	11,990	80,165
Totals	<u>3,455,586</u>	<u>36,668</u>	<u>12,715</u>	<u>3,479,539</u>
Less accumulated depreciation for:				
Buildings	858,166	30,210	-	888,376
Improvements other than buildings	968,724	26,587	-	995,311
Machinery and equipment	128,720	12,797	725	140,792
Transportation equipment	60,105	5,600	11,990	53,715
Totals	<u>2,015,715</u>	<u>75,194</u>	<u>12,715</u>	<u>2,078,194</u>
Total capital assets, being depreciated, net	<u>1,439,871</u>	<u>(38,526)</u>	<u>-</u>	<u>1,401,345</u>
Total Water Utility capital assets, net	<u>\$ 1,509,549</u>	<u>\$ (38,526)</u>	<u>\$ -</u>	<u>\$ 1,471,023</u>

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

Wastewater Utility:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 54,850	\$ -	\$ -	\$ 54,850
Construction in progress	<u>197,883</u>	<u>1,132,091</u>	<u>-</u>	<u>1,329,974</u>
Total capital assets, not being depreciated	<u>252,733</u>	<u>1,132,091</u>	<u>-</u>	<u>1,384,824</u>
Capital assets, being depreciated:				
Buildings	2,711,764	-	-	2,711,764
Improvements other than buildings	3,008,475	3,000	-	3,011,475
Machinery and equipment	<u>407,973</u>	<u>9,808</u>	<u>725</u>	<u>417,056</u>
Totals	<u>6,128,212</u>	<u>12,808</u>	<u>725</u>	<u>6,140,295</u>
Less accumulated depreciation for:				
Buildings	1,015,346	54,235	-	1,069,581
Improvements other than buildings	494,998	30,085	-	525,083
Machinery and equipment	<u>206,015</u>	<u>20,399</u>	<u>725</u>	<u>225,689</u>
Totals	<u>1,716,359</u>	<u>104,719</u>	<u>725</u>	<u>1,820,353</u>
Total capital assets, being depreciated, net	<u>4,411,853</u>	<u>(91,911)</u>	<u>-</u>	<u>4,319,942</u>
Total Wastewater Utility capital assets, net	<u>\$ 4,664,586</u>	<u>\$ 1,040,180</u>	<u>\$ -</u>	<u>\$ 5,704,766</u>
Storm Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 63,155	\$ 148,143	\$ -	\$ 211,298
Construction in progress	<u>676,207</u>	<u>1,146,627</u>	<u>1,789,730</u>	<u>33,104</u>
Total capital assets, not being depreciated	<u>739,362</u>	<u>1,294,770</u>	<u>1,789,730</u>	<u>244,402</u>
Capital assets, being depreciated:				
Improvements other than buildings	934,692	1,789,730	-	2,724,422
Machinery and equipment	<u>230,308</u>	<u>1,922</u>	<u>-</u>	<u>232,230</u>
Totals	<u>1,165,000</u>	<u>1,791,652</u>	<u>-</u>	<u>2,956,652</u>

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

Storm Water Utility (continued):	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated (continued):				
Less accumulated depreciation for:				
Improvements other than buildings	-	17,955	-	17,955
Machinery and equipment	<u>28,607</u>	<u>13,364</u>	<u>-</u>	<u>41,971</u>
Totals	<u>28,607</u>	<u>31,319</u>	<u>-</u>	<u>59,926</u>
 Total capital assets, being depreciated, net	 <u>1,136,393</u>	 <u>1,760,333</u>	 <u>-</u>	 <u>2,896,726</u>
 Total Storm Water Utility capital assets, net	 <u>\$ 1,875,755</u>	 <u>\$ 3,055,103</u>	 <u>\$ 1,789,730</u>	 <u>\$ 3,141,128</u>

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

Water	\$ 75,194
Wastewater	104,719
Storm Water	<u>31,319</u>
Total depreciation expense	<u>\$ 211,232</u>

C. Construction Commitments

Construction work in progress is composed of the following:

<u>Project</u>	<u>Total Project Authorized</u>	<u>Expended to December 31, 2008</u>	<u>Committed</u>	<u>Required Future Funding</u>
Wastewater Utility:				
North Sanitary Interceptor	\$ 2,480,465	\$ 1,329,974	\$ 1,150,491	\$ -
Storm Water Utility:				
Sprunger/Lehman Pond Preliminary Engineering	<u>33,104</u>	<u>33,104</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 2,513,569</u>	<u>\$ 1,363,078</u>	<u>\$ 1,150,491</u>	<u>\$ -</u>

D. Interfund Balances and Activity

Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2008, is as follows:

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

Due To	Due From		Totals
	Wastewater Utility	Storm Water Utility	
Water Utility	\$ 300,000	\$ 53,500	\$ 353,500
Wastewater Utility	-	8,833	8,833
Totals	<u>\$ 300,000</u>	<u>\$ 62,333</u>	<u>\$ 362,333</u>

E. 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	4.65% to 5.1%	\$ 1,430,000
2006 Storm Water revenue bonds	4% to 4.15%	<u>2,990,000</u>
Total		<u>\$ 4,420,000</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Wastewater Utility		Storm Water Utility	
	Principal	Interest	Principal	Interest
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	150,000	49,256	275,000	84,598
2013	155,000	41,963	290,000	73,297
2014-2018	<u>720,000</u>	<u>84,676</u>	<u>1,665,000</u>	<u>176,389</u>
Totals	<u>\$ 1,430,000</u>	<u>\$ 363,415</u>	<u>\$ 2,990,000</u>	<u>\$ 651,176</u>

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

2. Loan Payable

The Wastewater Utility has entered into a loan. Annual debt service requirements to maturity for the loan, including interest of \$1,179,641, are as follows:

2009	\$ 135,360
2010	136,828
2011	138,277
2012	134,604
2013	136,912
2014-2018	865,804
2019-2023	1,669,079
2024-2025	<u>436,777</u>
 Total	 <u><u>\$ 3,653,641</u></u>

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds payable:					
Wastewater Utility	\$ 1,550,000	\$ -	\$ 120,000	\$ 1,430,000	\$ 130,000
Storm Water Utility	3,220,000	-	230,000	2,990,000	240,000
Less deferred amount on refunding	<u>15,533</u>	<u>-</u>	<u>10,962</u>	<u>4,571</u>	<u>-</u>
 Total revenue bonds payable	 <u>4,754,467</u>	 <u>-</u>	 <u>339,038</u>	 <u>4,415,429</u>	 <u>370,000</u>
 Loan payable:					
Wastewater Utility	<u>-</u>	<u>2,515,000</u>	<u>41,000</u>	<u>2,474,000</u>	<u>36,000</u>
 Total long-term liabilities	 <u><u>\$ 4,754,467</u></u>	 <u><u>\$ 2,515,000</u></u>	 <u><u>\$ 380,038</u></u>	 <u><u>\$ 6,889,429</u></u>	 <u><u>\$ 406,000</u></u>

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

F. Restricted Assets

The balances of restricted asset accounts in the enterprise funds are as follows:

Depreciation account	\$ 926,365
Bond and interest account	241,365
Construction account	2,480,012
Reserve account	594,729
Interfund loans receivable	362,333
Interest receivable	<u>12,007</u>
Total restricted assets	<u><u>\$ 4,616,811</u></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; job related illnesses or injuries to employees; 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.

B. Rate Structure

1. Water Utility

The current rate structure was approved by the City Council on November 13, 2000. The Utility has 1,523 customers.

2. Wastewater Utility

The current rate structure was approved by the City Council on May 27, 2008. The Utility has 1,522 customers.

3. Storm Water Utility

The current rate structure was approved by the City Council on June 14, 2004. The Utility has 1,540 customers.

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

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 three percent 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 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.

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

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 47,988
Interest on net pension obligation	(4,365)
Adjustment to annual required contribution	4,974
Annual pension cost	48,597
Contributions made	53,278
Decrease in net pension obligation	(4,681)
Net pension obligation, beginning of year	(60,205)
Net pension obligation, end of year	\$ (64,886)
Contribution rates:	
Utilities	7.75%
Plan members	3%
Actuarial valuation date	07-01-08
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%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 47,577	94%	\$ (55,827)
	06-30-07	43,750	110%	(60,205)
	06-30-08	48,597	110%	(64,886)

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)
07-01-06	\$ 617,133	\$ 746,175	\$ (129,042)	83%	\$ 613,752	(21%)
07-01-07	691,827	844,852	(153,025)	82%	640,677	(24%)
07-01-08	802,132	941,273	(139,141)	85%	694,928	(20%)

CITY OF BERNE MUNICIPAL UTILITIES
EXAMINATION RESULT AND COMMENT

INVESTMENT MATURITY LIMITATIONS

The Storm Water Construction Fund purchased a certificate of deposit which has a stated maturity of 44 months.

IC 5-13-9-5.6 states: "Investments made under IC 5-13-9 must have a stated final maturity of not more than two years after the date of purchase or entry into a repurchase agreement."

CITY OF BERNE MUNICIPAL UTILITIES
EXIT CONFERENCE

The contents of this report were discussed on May 19, 2009, with Gwendolyn J. Maller, Clerk-Treasurer; and John F. Minch, Mayor. The official response has been made a part of this report and may be found on page 20.

City of Berne

FOUNDED 1887

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(260) 589-8526 • (260) 589-0081

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CITY COUNCIL
RONALD N. DULL
D. MICHAEL POULSON
GREGG A. SPRUNGER
CURTIS L. WURSTER
MARK D. WYNN

May 26, 2009

Official Response To: State Board of Accounts

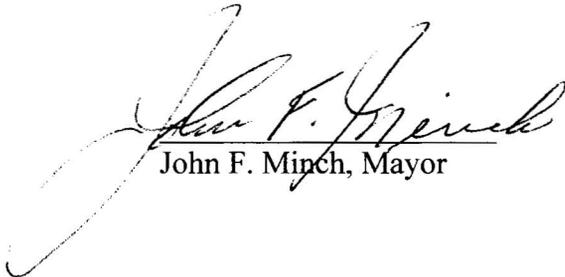
Re: Indiana Code 5-13-9-5.6

Subject: Investment that exceeds two (2) year maturity date on C.D. # 5132303
Amount: \$ 500,000, Purchase Date: June 6, 2008, Due date: 44 months.

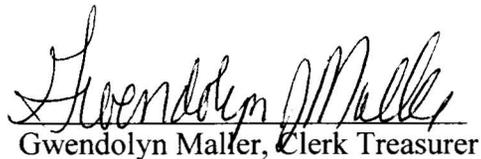
The Storm Water Construction Fund purchased a Certificate of Deposit # 5132303 with a maturity date of forty-four (44) months on June 6, 2008. The significant difference between the interest rates that had been explored and this CD was the determining factor in choosing this option. Since no penalty for one time early withdrawal was in effect, we would collect extra interest plus be able to withdraw the money at the end of a two (2) year period.

We feel that this made good business sense to invest the stormwater funds where the best interest could be received. This Certificate of Deposit has since been cashed in to pay for the storm water construction projects.

Sincerely,



John F. Minch, Mayor



Gwendolyn Maller, Clerk Treasurer