

B37098

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

ANNUAL FINANCIAL REPORT

2009

CITY OF BERNE

ADAMS COUNTY, INDIANA



FILED
06/08/2010

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SCHEDULE OF 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	01-01-09 to 12-31-10
Superintendent of Water Utility	John A. Crider	01-01-09 to 12-31-10
Superintendent of Wastewater Utility	Terry L. Konger, Jr.	01-01-09 to 12-31-10
Superintendent of Storm Water Utility	Shannon W. Smitley	01-01-09 to 12-31-10



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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 BERNE, ADAMS 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 Berne (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 May 18, 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 integral part of 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 and 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

May 18, 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 BERNE, ADAMS 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 Berne (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 May 18, 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, 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

May 18, 2010

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

Functions/Programs	Program Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 521,661	\$ 20,750	\$ -	\$ -	\$ (500,911)	\$ -	\$ (500,911)
Public safety	487,047	55,780	-	-	(431,267)	-	(431,267)
Highways and streets	253,025	930	108,863	16,606	(126,626)	-	(126,626)
Sanitation	192,285	114,864	-	-	(77,421)	-	(77,421)
Economic development	17,466	-	-	-	(17,466)	-	(17,466)
Culture and recreation	93,239	-	-	-	(93,239)	-	(93,239)
Principal and interest on indebtedness	136,266	-	-	-	(136,266)	-	(136,266)
Total governmental activities	1,700,989	192,324	108,863	16,606	(1,383,196)	-	(1,383,196)
Business-type activities:							
Water	543,327	332,188	-	-	-	(211,139)	(211,139)
Wastewater	2,456,370	754,350	-	-	-	(1,702,020)	(1,702,020)
Storm water	1,087,862	551,420	-	-	-	(536,442)	(536,442)
Total business-type activities	4,087,559	1,637,958	-	-	-	(2,449,601)	(2,449,601)
Total primary government	\$ 5,788,548	\$ 1,830,282	\$ 108,863	\$ 16,606	(1,383,196)	(2,449,601)	(3,832,797)
General receipts:							
Property taxes					1,066,997	-	1,066,997
Intergovernmental					421,226	-	421,226
Other local sources					205,094	258,906	464,000
Grants and contributions not restricted to specific programs					28,745	-	28,745
Investment earnings					5,377	40,792	46,169
Total general receipts					1,727,439	299,698	2,027,137
Change in net assets					344,243	(2,149,903)	(1,805,660)
Net assets - beginning					1,441,163	5,050,265	6,491,428
Net assets - ending					\$ 1,785,406	\$ 2,900,362	\$ 4,685,768
Assets							
Cash and investments					\$ 1,159,396	\$ 754,282	\$ 1,913,678
Restricted assets:							
Cash and investments					626,010	2,146,080	2,772,090
Total assets					\$ 1,785,406	\$ 2,900,362	\$ 4,685,768
Net Assets							
Restricted for:							
Public safety					\$ 10,925	\$ -	\$ 10,925
Highways and streets					269,638	-	269,638
Economic development					1,957	-	1,957
Debt service					343,490	874,301	1,217,791
Other purposes					-	1,271,779	1,271,779
Unrestricted					1,159,396	754,282	1,913,678
Total net assets					\$ 1,785,406	\$ 2,900,362	\$ 4,685,768

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

CITY OF BERNE
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	Motor Vehicle Highway	BRC Bond and Interest	Cumulative Capital Development	Other Governmental Funds	Totals
Receipts:						
Taxes	\$ 770,414	\$ 118,131	\$ 138,824	\$ 39,628	\$ -	\$ 1,066,997
Licenses and permits	7,705	-	-	-	-	7,705
Intergovernmental	306,798	121,253	-	4,157	115,457	547,665
Charges for services	159,048	930	-	-	3,073	163,051
Fines and forfeits	50	-	-	-	768	818
Other	63,500	1,004	252	1,080	61,501	127,337
Total receipts	1,307,515	241,318	139,076	44,865	180,799	1,913,573
Disbursements:						
General government	474,287	-	-	-	42,912	517,199
Public safety	483,042	-	-	-	3,035	486,077
Highways and streets	-	245,596	-	-	7,429	253,025
Sanitation	192,285	-	-	-	-	192,285
Economic development	-	-	-	-	16,670	16,670
Culture and recreation	93,239	-	-	-	-	93,239
Debt service:						
Principal	-	-	25,000	-	38,146	63,146
Interest	-	-	56,238	-	16,882	73,120
Capital outlay:						
General government	-	-	-	4,462	-	4,462
Public safety	-	-	-	-	970	970
Economic development	-	-	-	-	796	796
Total disbursements	1,242,853	245,596	81,238	4,462	126,840	1,700,989
Excess (deficiency) of receipts over (under) disbursements	64,662	(4,278)	57,838	40,403	53,959	212,584
Other financing sources (uses):						
Other receipts	7,454	693	111,192	-	12,320	131,659
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	72,116	(3,585)	169,030	40,403	66,279	344,243
Cash and investment fund balance - beginning	595,782	217,792	41,243	270,443	315,903	1,441,163
Cash and investment fund balance - ending	<u>\$ 667,898</u>	<u>\$ 214,207</u>	<u>\$ 210,273</u>	<u>\$ 310,846</u>	<u>\$ 382,182</u>	<u>\$ 1,785,406</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 667,898	\$ -	\$ -	\$ 310,846	\$ 180,652	\$ 1,159,396
Restricted assets:						
Cash and investments	-	214,207	210,273	-	201,530	626,010
Total cash and investment assets - ending	<u>\$ 667,898</u>	<u>\$ 214,207</u>	<u>\$ 210,273</u>	<u>\$ 310,846</u>	<u>\$ 382,182</u>	<u>\$ 1,785,406</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 10,925	\$ 10,925
Highways and streets	-	214,207	-	-	55,431	269,638
Economic development	-	-	-	-	1,957	1,957
Debt service	-	-	210,273	-	133,217	343,490
Unrestricted	667,898	-	-	310,846	180,652	1,159,396
Total cash and investment fund balance - ending	<u>\$ 667,898</u>	<u>\$ 214,207</u>	<u>\$ 210,273</u>	<u>\$ 310,846</u>	<u>\$ 382,182</u>	<u>\$ 1,785,406</u>

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

CITY OF BERNE
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

	Water Utility	Wastewater Utility	Storm Water Utility	Totals
Operating receipts:				
Metered/measured	\$ 304,186	\$ 740,486	\$ -	\$ 1,044,672
Unmetered/flat rate	-	-	551,420	551,420
Penalties	2,087	11,935	-	14,022
Miscellaneous	25,915	1,929	-	27,844
	<u>332,188</u>	<u>754,350</u>	<u>551,420</u>	<u>1,637,958</u>
Total operating receipts				
Operating disbursements:				
Salaries and wages	155,651	133,669	60,925	350,245
Employee pensions and benefits	24,766	20,711	9,533	55,010
Chemicals	36,548	-	-	36,548
Material and supplies	121,477	95,037	13,626	230,140
Contractual services	6,872	26,576	11,604	45,052
Transportation	3,244	5,734	1,110	10,088
Insurance claims and expense	42,784	38,290	15,294	96,368
Equipment and capital improvements	129,036	1,802,226	602,072	2,533,334
Miscellaneous	22,949	26	-	22,975
	<u>543,327</u>	<u>2,122,269</u>	<u>714,164</u>	<u>3,379,760</u>
Total operating disbursements				
Deficiency of operating receipts under operating disbursements	<u>(211,139)</u>	<u>(1,367,919)</u>	<u>(162,744)</u>	<u>(1,741,802)</u>
Nonoperating receipts (disbursements):				
Rent	64,400	-	-	64,400
Investment income	9,997	11,244	19,551	40,792
Refunds	22,650	149,856	22,000	194,506
Debt service of principal	-	(166,000)	(258,000)	(424,000)
Interest disbursements	-	(168,101)	(115,698)	(283,799)
	<u>97,047</u>	<u>(173,001)</u>	<u>(332,147)</u>	<u>(408,101)</u>
Total nonoperating receipts (disbursements)				
Deficiency of receipts under disbursements and nonoperating receipts (disbursements)	(114,092)	(1,540,920)	(494,891)	(2,149,903)
Transfers in	33,473	369,450	364,098	767,021
Transfers out	<u>(33,473)</u>	<u>(360,617)</u>	<u>(372,931)</u>	<u>(767,021)</u>
Deficiency of receipts and transfers in under disbursements and transfers out	(114,092)	(1,532,087)	(503,724)	(2,149,903)
Cash and investment fund balance - beginning	<u>1,481,418</u>	<u>2,343,414</u>	<u>1,225,433</u>	<u>5,050,265</u>
Cash and investment fund balance - ending	<u>\$ 1,367,326</u>	<u>\$ 811,327</u>	<u>\$ 721,709</u>	<u>\$ 2,900,362</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 598,647	\$ 49,195	\$ 106,440	\$ 754,282
Restricted assets:				
Cash and investments	<u>768,679</u>	<u>762,132</u>	<u>615,269</u>	<u>2,146,080</u>
Total cash and investment assets - December 31	<u>\$ 1,367,326</u>	<u>\$ 811,327</u>	<u>\$ 721,709</u>	<u>\$ 2,900,362</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ 40,922	\$ 289,601	\$ 543,778	\$ 874,301
Other purposes	727,757	472,531	71,491	1,271,779
Unrestricted	<u>598,647</u>	<u>49,195</u>	<u>106,440</u>	<u>754,282</u>
Total cash and investment fund balance - December 31	<u>\$ 1,367,326</u>	<u>\$ 811,327</u>	<u>\$ 721,709</u>	<u>\$ 2,900,362</u>

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

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

	Pension Trust Fund	Agency Fund
Additions:		
Contributions:		
Employer	\$ 9,492	
State	18,173	
Total contributions	27,665	
Investment earnings:		
Interest	264	
Total additions	27,929	
Deductions:		
Benefits	18,054	
Excess of total additions over total deductions	9,875	
Cash and investment fund balance - beginning	69,743	
Cash and investment fund balance - ending	\$ 79,618	\$ 9,558

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

CITY OF BERNE
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, and storm water.

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

Primary Government: City of Berne.

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 motor vehicle highway fund (MVH) accounts for state and local monies collected for highway and street construction and improvements.

The BRC bond and interest fund is used to account for special tax distributions and for debt payments associated with City construction improvements projects.

The cumulative capital development fund is used to account for receipts and disbursements of taxes levied under Indiana Code 36-9-15.5 for capital project uses.

CITY OF BERNE
NOTES TO FINANCIAL STATEMENTS
(Continued)

The City reports the following major enterprise funds:

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

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 fund accounts for the activities of the 1925 police officers' pension plan, which accumulates resources for pension benefit payments.

The agency fund accounts for assets held by the City as an agent for federal and state revenue agencies and serves 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

CITY OF BERNE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 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 BERNE
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 reported as reimbursements.
- 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 BERNE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Government-Wide Financial Statements

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

II. Stewardship, Compliance and Accountability

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.

III. Detailed Notes on All Funds

Deposits and Investments

A. 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 \$4,774,944.

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.

CITY OF BERNE
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. 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.

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; 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 risks covered by commercial insurance 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 – Enterprise Funds

Water Utility

On May 8, 2000, the City Council adopted Ordinance 485 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on November 13, 2000.

Wastewater Utility

The current rate structure was approved by the City Council on May 27, 2008.

Storm Water Utility

The current rate structure was approved by the City Council on June 14, 2004.

C. Receipts Pledged

Wastewater Utility Receipts Pledged

The City has pledged future utility receipts, net of specified operating expenditures, to repay revenue bonds issued in 1997. Proceeds from the bonds provided financing for the construction of additions and improvements to the sewage works. The bonds are payable solely from utility receipts and are payable through 2017. Annual principal and interest payments are expected to require less than 27% of net receipts.

CITY OF BERNE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Storm Water Utility Receipts Pledged

The City has pledged future utility receipts, net of specified operating expenditures, to repay revenue bonds issued in 2006. Proceeds from the bonds provided financing for storm water separation projects. The bonds are payable solely from utility receipts and are payable through 2018. Annual principal and interest payments are expected to require less than 68% of net receipts.

Tax Increment Receipts Pledged

The City has pledged a portion of property tax increment receipts to repay \$1,035,000 in tax increment bonds issued in 2003 to finance the acquisition of certain real estate and the construction of certain storm drainage, water, and sewer improvements. The bonds are payable solely from property tax increment receipts generated by taxpayer payments and investment earnings. Property tax increment receipts were projected to produce 100% of the debt service requirements over the life of the bonds.

D. Pension Plans

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

a. 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 during the period were \$53,627.

CITY OF BERNE
NOTES TO FINANCIAL STATEMENTS
(Continued)

b. 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 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. The contributions made by the City during the period were \$27,666.

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

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.

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 \$42,386.

CITY OF BERNE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES 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)
07-01-07	\$ 691,827	\$ 844,852	\$ (153,025)	82%	\$ 640,677	(24%)
07-01-08	802,132	941,273	(139,141)	85%	694,928	(20%)
07-01-09	865,706	1,040,665	(174,959)	83%	721,455	(24%)

1925 Police Officers' Pension Plan

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)
01-01-03	\$ 88,071	\$ 389,300	\$ (301,229)	23%	\$ -	0%
01-01-04	92,140	390,600	(298,460)	24%	-	0%
01-01-05	87,184	373,100	(285,916)	23%	-	0%
01-01-06	83,324	376,900	(293,576)	22%	-	0%
01-01-07	79,901	380,200	(300,299)	21%	-	0%
01-01-08	75,929	385,000	(309,071)	20%	-	0%

CITY OF BERNE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS FROM THE
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

1925 Police Officers' Pension Plan				
Year	Annual	Percentage of ARC		
Ending	Required	Contributed		
	Contribution	City	State	
	(ARC)			
12-31-03	\$ 42,500	21%	22%	
12-31-04	44,700	0%	20%	
12-31-05	26,400	0%	34%	
12-31-06	27,000	0%	33%	
12-31-07	27,600	0%	34%	
12-31-08	28,300	0%	35%	

CITY OF BERNE
 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

	Local Road and Street	Donation	Animal Control	Law Enforcement Continuing Education	Grant	Rainy Day	Police Training Donation	Economic Development Income Tax
Receipts:								
Intergovernmental	\$ 16,606	\$ -	\$ -	\$ -	\$ 970	\$ -	\$ -	\$ 85,156
Charges for services	-	-	-	3,073	-	-	-	-
Fines and forfeits	-	-	85	683	-	-	-	-
Other	128	27,775	-	38	-	1,815	-	30,879
Total receipts	16,734	27,775	85	3,794	970	1,815	-	116,035
Disbursements:								
General government	-	30,228	-	-	-	-	-	-
Public safety	-	-	-	3,035	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	16,670
Debt service:								
Principal	-	-	-	-	-	-	-	38,146
Interest	-	-	-	-	-	-	-	16,882
Capital outlay:								
Public safety	-	-	-	-	970	-	-	-
Economic development	-	-	-	-	-	-	-	-
Total disbursements	-	30,228	-	3,035	970	-	-	71,698
Excess (deficiency) of receipts over (under) disbursements	16,734	(2,453)	85	759	-	1,815	-	44,337
Other financing sources (uses):								
Other receipts	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	16,734	(2,453)	85	759	-	1,815	-	44,337
Cash and investment fund balance - beginning	25,710	10,670	172	9,241	-	-	925	43,659
Cash and investment fund balance - ending	<u>\$ 42,444</u>	<u>\$ 8,217</u>	<u>\$ 257</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 1,815</u>	<u>\$ 925</u>	<u>\$ 87,996</u>
Cash and Investment Assets - Ending								
Cash and investments	\$ -	\$ 8,217	\$ 257	\$ -	\$ -	\$ 1,815	\$ -	\$ 87,996
Restricted assets:								
Cash and investments	42,444	-	-	10,000	-	-	925	-
Total cash and investment assets - ending	<u>\$ 42,444</u>	<u>\$ 8,217</u>	<u>\$ 257</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 1,815</u>	<u>\$ 925</u>	<u>\$ 87,996</u>
Cash and Investment Fund Balance - Ending								
Restricted for:								
Public safety	\$ -	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ 925	\$ -
Highways and streets	42,444	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Unrestricted	-	8,217	257	-	-	1,815	-	87,996
Total cash and investment fund balance - ending	<u>\$ 42,444</u>	<u>\$ 8,217</u>	<u>\$ 257</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 1,815</u>	<u>\$ 925</u>	<u>\$ 87,996</u>

CITY OF BERNE
 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)

	BRC Operating	Tree	Citizen Sewer Compliance	BRC Reserve	Cumulative Capital Improvement	Sidewalk Matching	Totals
Receipts:							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 12,725	\$ -	\$ 115,457
Charges for services	-	-	-	-	-	-	3,073
Fines and forfeits	-	-	-	-	-	-	768
Other	6	-	62	479	264	55	61,501
Total receipts	6	-	62	479	12,989	55	180,799
Disbursements:							
General government	-	-	12,684	-	-	-	42,912
Public safety	-	-	-	-	-	-	3,035
Highways and streets	-	-	-	-	-	7,429	7,429
Economic development	-	-	-	-	-	-	16,670
Debt service:							
Principal	-	-	-	-	-	-	38,146
Interest	-	-	-	-	-	-	16,882
Capital outlay:							
Public safety	-	-	-	-	-	-	970
Economic development	-	-	-	-	796	-	796
Total disbursements	-	-	12,684	-	796	7,429	126,840
Excess (deficiency) of receipts over (under) disbursements	6	-	(12,622)	479	12,193	(7,374)	53,959
Other financing sources (uses):							
Other receipts	-	-	9,663	-	-	2,657	12,320
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	6	-	(2,959)	479	12,193	(4,717)	66,279
Cash and investment fund balance - beginning	1,951	240	12,521	123,176	69,934	17,704	315,903
Cash and investment fund balance - ending	<u>\$ 1,957</u>	<u>\$ 240</u>	<u>\$ 9,562</u>	<u>\$ 123,655</u>	<u>\$ 82,127</u>	<u>\$ 12,987</u>	<u>\$ 382,182</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 240	\$ -	\$ -	\$ 82,127	\$ -	\$ 180,652
Restricted assets:							
Cash and investments	1,957	-	9,562	123,655	-	12,987	201,530
Total cash and investment assets - ending	\$ 1,957	\$ 240	\$ 9,562	\$ 123,655	\$ 82,127	\$ 12,987	\$ 382,182
Cash and Investment Fund Balance - Ending							
Restricted for:							
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,925
Highways and streets	-	-	-	-	-	12,987	55,431
Economic development	1,957	-	-	-	-	-	1,957
Debt service	-	-	9,562	123,655	-	-	133,217
Unrestricted	-	240	-	-	82,127	-	180,652
Total cash and investment fund balance - ending	\$ 1,957	\$ 240	\$ 9,562	\$ 123,655	\$ 82,127	\$ 12,987	\$ 382,182

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

	Payroll Deduction
Additions:	
Agency fund additions	\$ 1,071,675
Deductions:	
Agency fund deductions	1,071,833
Deficiency of total additions under total deductions	(158)
Cash and investment fund balance - beginning	9,716
Cash and investment fund balance - ending	\$ 9,558

CITY OF BERNE
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
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 completed in the current year has been reported. Retroactive reporting of general infrastructure assets is not required.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 232,180
Buildings	3,026,556
Improvements other than buildings	788,127
Machinery and equipment	<u>2,164,532</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 6,211,395</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 69,678
Construction in progress	29,784
Capital assets, being depreciated:	
Buildings	1,563,775
Improvements other than buildings	1,636,471
Machinery and equipment	259,457
Transportation equipment	<u>80,165</u>
Total Water Utility capital assets	<u>3,639,330</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	54,850
Capital assets, being depreciated:	
Buildings	2,711,764
Improvements other than buildings	5,532,046
Machinery and equipment	<u>432,056</u>
Total Wastewater Utility capital assets	<u>8,730,716</u>
Storm Water Utility:	
Capital assets, not being depreciated:	
Land	211,298
Capital assets, being depreciated:	
Improvements other than buildings	3,330,339
Machinery and equipment	<u>247,230</u>
Total Storm Water Utility capital assets	<u>3,788,867</u>
Total business-type activities capital assets	<u>\$ 16,158,913</u>

CITY OF BERNE
 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:		
Police car lease	\$ 74,983	\$ 26,817
Loans payable:		
2007 EMS Police Building	183,862	55,028
Bonds payable:		
General obligation bonds:		
2006 TIF Bonds	<u>1,010,000</u>	<u>123,625</u>
Total governmental activities debt	<u>\$ 1,268,845</u>	<u>\$ 205,470</u>
Business-type activities:		
Wastewater Utility:		
Loans:		
SRF loan of 2008	\$ 2,438,000	\$ 136,828
Revenue bonds:		
Revenue bonds of 1997	<u>1,300,000</u>	<u>197,664</u>
Total Wastewater Utility	<u>3,738,000</u>	<u>334,492</u>
Storm Water Utility:		
Revenue bonds:		
Revenue bonds of 2006	<u>2,750,000</u>	<u>360,798</u>
Total business-type activities debt	<u>\$ 6,488,000</u>	<u>\$ 695,290</u>

CITY OF BERNE
OTHER REPORT

The annual report presented herein was prepared in addition to the other official report prepared for the individual City office for the City of Berne Municipal Utilities.

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 BERNE, ADAMS COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Berne (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 its major federal program for the year ended December 31, 2009. The City's major federal program is 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 its major federal program 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 its major federal program 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.

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

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)

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, 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

May 18, 2010

CITY OF BERNE
 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 AGRICULTURE</u>			
Direct Grant			
ARRA - Community Facilities Loans and Grants	10.780		\$ 970
Total for federal grantor agency			<u>970</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority			
Capitalization Grants for Clean Water State Revolving Funds	66.458	WW065701 01	<u>572,564</u>
Total for federal grantor agency			<u>572,564</u>
Total federal awards expended			<u>\$ 573,534</u>

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

CITY OF BERNE
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 Berne (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 BERNE
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 Program:

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 BERNE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF BERNE
EXIT CONFERENCE

The contents of this report were discussed on May 18, 2010, with Gwendolyn J. Maller, Clerk-Treasurer; and John F. Minch, Mayor. Our audit disclosed no material items that warrant comment at this time.