

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

EXAMINATION REPORT  
OF  
CITY OF BERNE MUNICIPAL UTILITIES  
ADAMS COUNTY, INDIANA  
January 1, 2010 to December 31, 2010



**FILED**  
10/12/2011



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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	01-01-10 to 12-31-11
Water Utility Superintendent	John A. Crider	01-01-10 to 12-31-11
Wastewater Utility Superintendent	Terry L. Konger, Jr.	01-01-10 to 12-31-11
Storm Water Utility Superintendent	Shannon W. Smitley	01-01-10 to 12-31-11



**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, 2010. The Utilities' management is responsible for the financial statements presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statements 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, 2010, 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, 2010, 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 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 examine the information and express no opinion on it.

The Utilities have not presented Management's 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 part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

September 7, 2011

CITY OF BERNE MUNICIPAL UTILITIES  
STATEMENT OF NET ASSETS  
December 31, 2010

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Storm Water Utility</u>
<b>Current assets:</b>			
Cash and cash equivalents	\$ 492,927	\$ 90,930	\$ 132,292
Accounts receivable	3,167	8,583	4,998
Taxes receivable	8	-	-
Inventories	42,005	-	-
Prepaid items	10,844	10,844	4,546
Interfund loans receivable	<u>19,000</u>	<u>-</u>	<u>-</u>
<b>Total current assets</b>	<u>567,951</u>	<u>110,357</u>	<u>141,836</u>
<b>Noncurrent assets:</b>			
<b>Restricted cash, cash equivalents and investments:</b>			
Depreciation cash and investments	672,568	198,614	-
Bond and interest cash and investments	40,922	25,412	177,426
Construction cash and investments	-	164,624	69,016
Reserve cash and investments	-	6,192	372,154
SRF bond and interest cash and investments	-	11,929	-
SRF construction cash and investments	-	82,707	-
SRF reserve cash and investments	-	272,936	-
Interest receivable	<u>103</u>	<u>-</u>	<u>-</u>
<b>Total restricted assets</b>	<u>713,593</u>	<u>762,414</u>	<u>618,596</u>
Interfund loans receivable	<u>300,000</u>	<u>15,000</u>	<u>-</u>
Deferred charges	<u>-</u>	<u>96,079</u>	<u>84,123</u>
<b>Capital assets:</b>			
Land and construction in progress	226,893	54,850	211,298
Other capital assets (net of accumulated depreciation)	<u>1,335,129</u>	<u>6,688,742</u>	<u>3,374,489</u>
<b>Total capital assets</b>	<u>1,562,022</u>	<u>6,743,592</u>	<u>3,585,787</u>
<b>Total noncurrent assets</b>	<u>2,575,615</u>	<u>7,617,085</u>	<u>4,288,506</u>
<b>Total assets</b>	<u>3,143,566</u>	<u>7,727,442</u>	<u>4,430,342</u>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	97,496	21,234	2,777
Wages payable	336	342	155
Taxes payable	1,434	-	-
Compensated absences	2,591	2,697	-
Interfund loan payable	-	-	19,000
<b>Current liabilities payable from restricted assets:</b>			
Loan payable	-	42,000	-
Revenue bonds payable	-	140,000	265,000
Accrued interest payable	<u>-</u>	<u>12,873</u>	<u>8,392</u>
<b>Total current liabilities</b>	<u>101,857</u>	<u>219,146</u>	<u>295,324</u>
<b>Noncurrent liabilities:</b>			
Revenue bonds payable	-	1,025,000	2,230,000
Loan payable	-	2,357,000	-
Interfund loan payable	<u>-</u>	<u>300,000</u>	<u>15,000</u>
<b>Total noncurrent liabilities</b>	<u>-</u>	<u>3,682,000</u>	<u>2,245,000</u>
<b>Total liabilities</b>	<u>101,857</u>	<u>3,901,146</u>	<u>2,540,324</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,562,022	3,179,592	1,090,787
Restricted for debt service	40,922	316,469	549,580
Restricted for other purposes	672,671	445,945	69,016
Unrestricted	<u>766,094</u>	<u>(115,710)</u>	<u>180,635</u>
<b>Total net assets</b>	<u>\$ 3,041,709</u>	<u>\$ 3,826,296</u>	<u>\$ 1,890,018</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, 2010

	Water Utility	Wastewater Utility	Storm Water Utility
Operating revenues:			
Unmetered revenue	\$ -	\$ -	\$ 554,693
Metered water revenue	301,676	-	-
Fire protection revenue	65,366	-	-
Measured revenue	-	756,731	-
Other	21,933	470	-
	<u>388,975</u>	<u>757,201</u>	<u>554,693</u>
Total operating revenues			
Operating expenses:			
Salaries and wages	149,034	137,983	59,092
Employee pensions and benefits	45,749	40,589	23,549
Purchased power	50,397	36,023	-
Chemicals	38,234	-	-
Materials and supplies	171,794	76,851	52,709
Contractual services	24,572	22,036	13,168
Insurance expense	15,097	15,098	2,928
Depreciation	75,823	131,158	78,969
Miscellaneous expenses	15,963	9,756	5,456
	<u>586,663</u>	<u>469,494</u>	<u>235,871</u>
Total operating expenses			
Operating income (loss)	<u>(197,688)</u>	<u>287,707</u>	<u>318,822</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	5,718	2,315	2,566
Interest expense	-	(159,827)	(104,947)
Amortization of bond issuance costs	-	(9,119)	(11,343)
	<u>5,718</u>	<u>(166,631)</u>	<u>(113,724)</u>
Total nonoperating revenues (expenses)			
Change in net assets	(191,970)	121,076	205,098
Total net assets - beginning	<u>3,233,679</u>	<u>3,705,220</u>	<u>1,684,920</u>
Total net assets - ending	<u>\$ 3,041,709</u>	<u>\$ 3,826,296</u>	<u>\$ 1,890,018</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, 2010

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Storm Water Utility</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 393,771	\$ 764,001	\$ 566,655
Payments to suppliers and contractors	(307,032)	(143,033)	(78,280)
Payments to employees	(194,409)	(177,183)	(82,550)
Net cash provided (used) by operating activities	<u>(107,670)</u>	<u>443,785</u>	<u>405,825</u>
Cash flows from noncapital financing activities:			
Interfund loans	16,500	-	(16,500)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(75,802)	(69,590)	(1,916)
Principal paid on capital debt	-	(174,000)	(255,000)
Interest paid on capital debt	-	(160,493)	(105,796)
Net cash used by capital and related financing activities	<u>(75,802)</u>	<u>(404,083)</u>	<u>(362,712)</u>
Cash flows from investing activities:			
Interest received	6,063	2,315	2,566
Net increase (decrease) in cash and cash equivalents	(160,909)	42,017	29,179
Cash and cash equivalents, January 1	1,117,326	811,327	121,709
Cash and cash equivalents, December 31	<u>\$ 956,417</u>	<u>\$ 853,344</u>	<u>\$ 150,888</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (197,688)	\$ 287,707	\$ 318,822
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	75,823	131,158	78,969
(Increase) decrease in assets:			
Accounts receivable	4,796	6,800	11,962
Taxes receivable	(8)	-	-
Inventories	4,284	-	-
Prepaid items	448	448	(2,598)
Increase (decrease) in liabilities:			
Accounts payable	3,824	16,283	(1,421)
Taxes payable	477	-	-
Compensated absence payable	162	1,380	-
Wages payable	212	9	91
Total adjustments	<u>90,018</u>	<u>156,078</u>	<u>87,003</u>
Net cash provided by operating activities	<u>\$ (107,670)</u>	<u>\$ 443,785</u>	<u>\$ 405,825</u>
Noncash investing, capital and financing activities:			
Capital assets acquired through accounts payable	\$ 86,810	\$ -	\$ -

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 (Utilities) and are not intended to present fairly the financial 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.

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 Utilities have elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise 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 and administrative costs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, the Utilities' policy is to use restricted resources first, then unrestricted resources as they are needed.

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.

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

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.

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.

The financial statements report \$2,094,603 of restricted net assets, of which \$1,381,010 is restricted by enabling legislation.

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.

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

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. Leave Time – Utility employees earn leave time at the rate of ten days per year. Unused leave time may be accumulated to a maximum of 30 days. Accumulated leave time is paid to employees upon termination. Leave time can be used for illness or other reasons, but a maximum of 3 days may be used in any month for leave not due to illness.
- 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.

Leave time is accrued when incurred. No liability is reported for vacation 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

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 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 Utilities do not have a deposit policy for custodial credit risk. At December 31, 2010, the Utilities had deposit balances in the amount of \$2,810,649.

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 MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 69,678	\$ -	\$ -	\$ 69,678
Construction in progress	<u>29,784</u>	<u>127,431</u>	<u>-</u>	<u>157,215</u>
Total capital assets, not being depreciated	<u>99,462</u>	<u>127,431</u>	<u>-</u>	<u>226,893</u>
Capital assets, being depreciated:				
Buildings	1,563,775	-	-	1,563,775
Improvements other than buildings	1,636,471	-	-	1,636,471
Machinery and equipment	259,457	2,678	-	262,135
Transportation equipment	<u>80,165</u>	<u>25,798</u>	<u>26,300</u>	<u>79,663</u>
Totals	<u>3,539,868</u>	<u>28,476</u>	<u>26,300</u>	<u>3,542,044</u>
Less accumulated depreciation for:				
Buildings	(918,586)	(31,275)	-	(949,861)
Improvements other than buildings	(1,025,480)	(26,988)	-	(1,052,468)
Machinery and equipment	(153,649)	(12,973)	-	(166,622)
Transportation equipment	<u>(59,677)</u>	<u>(4,587)</u>	<u>(26,300)</u>	<u>(37,964)</u>
Totals	<u>(2,157,392)</u>	<u>(75,823)</u>	<u>(26,300)</u>	<u>(2,206,915)</u>
Total capital assets, being depreciated, net	<u>1,382,476</u>	<u>(47,347)</u>	<u>-</u>	<u>1,335,129</u>
Total capital assets, net	<u>\$ 1,481,938</u>	<u>\$ 80,084</u>	<u>\$ -</u>	<u>\$ 1,562,022</u>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 54,850	\$ -	\$ -	\$ 54,850
Capital assets, being depreciated:				
Buildings	2,711,764	-	-	2,711,764
Improvements other than buildings	5,532,046	15,619	-	5,547,665
Machinery and equipment	<u>432,056</u>	<u>53,971</u>	<u>12,668</u>	<u>473,359</u>
Totals	<u>8,675,866</u>	<u>69,590</u>	<u>12,668</u>	<u>8,732,788</u>
Less accumulated depreciation for:				
Buildings	(1,123,816)	(54,235)	-	(1,178,051)
Improvements other than buildings	(555,198)	(55,320)	-	(610,518)
Machinery and equipment	<u>(246,542)</u>	<u>(21,603)</u>	<u>(12,668)</u>	<u>(255,477)</u>
Totals	<u>(1,925,556)</u>	<u>(131,158)</u>	<u>(12,668)</u>	<u>(2,044,046)</u>
Total capital assets, being depreciated, net	<u>6,750,310</u>	<u>(61,568)</u>	<u>-</u>	<u>6,688,742</u>
Total capital assets, net	<u>\$ 6,805,160</u>	<u>\$ (61,568)</u>	<u>\$ -</u>	<u>\$ 6,743,592</u>

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:				
Land	\$ 211,298	\$ -	\$ -	\$ 211,298
Capital assets, being depreciated:				
Improvements other than buildings	3,330,339	1,916	-	3,332,255
Machinery and equipment	<u>247,230</u>	<u>-</u>	<u>-</u>	<u>247,230</u>
Totals	<u>3,577,569</u>	<u>1,916</u>	<u>-</u>	<u>3,579,485</u>
Less accumulated depreciation for:				
Improvements other than buildings	(72,444)	(66,607)	-	(139,051)
Machinery and equipment	<u>(53,583)</u>	<u>(12,362)</u>	<u>-</u>	<u>(65,945)</u>
Totals	<u>(126,027)</u>	<u>(78,969)</u>	<u>-</u>	<u>(204,996)</u>
Total capital assets, being depreciated, net	<u>3,451,542</u>	<u>(77,053)</u>	<u>-</u>	<u>3,374,489</u>
Total capital assets, net	<u>\$ 3,662,840</u>	<u>\$ (77,053)</u>	<u>\$ -</u>	<u>\$ 3,585,787</u>

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

Water	\$ 75,823
Wastewater	131,158
Storm Water	<u>78,969</u>
Total depreciation expense	<u>\$ 285,950</u>

C. Construction Commitments

Construction work in progress is composed of the following:

<u>Project</u>	<u>Expended to December 31</u>	<u>Committed</u>
Water Utility:		
System Improvements	<u>\$ 157,215</u>	<u>\$ 315,548</u>

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

D. Interfund Balances and Activity

Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2010, is as follows:

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Amount</u>
Water Utility	Wastewater Utility	\$ 300,000
Water Utility	Storm Water Utility	19,000
Wastewater Utility	Storm Water Utility	<u>15,000</u>
Total		<u><u>\$ 334,000</u></u>

Interfund balances resulted from the time lag between the dates that (1) interfund loans are repaid, (2) interfund goods and services are provided or reimbursable expenditures occur, (3) transactions are recorded in the accounting system and (4) payments between funds are made.

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:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
1997 Wastewater revenue bonds	4.8% to 5.1%	\$ 1,165,000
2006 Storm Water revenue bonds	4% to 4.15%	<u>2,495,000</u>
Total		<u><u>\$ 3,660,000</u></u>

Revenue bonds debt service requirements to maturity are as follows:

	<u>Wastewater Utility</u>		<u>Storm Water Utility</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	165,000	34,225	305,000	61,398
2015	175,000	25,912	315,000	48,997
2016-2019	<u>380,000</u>	<u>24,538</u>	<u>1,045,000</u>	<u>65,994</u>
Totals	<u><u>\$ 1,165,000</u></u>	<u><u>\$ 232,009</u></u>	<u><u>\$ 2,495,000</u></u>	<u><u>\$ 429,681</u></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 \$982,454, are as follows:

	Principal	Interest
2011	\$ 42,000	\$ 96,277
2012	40,000	94,604
2013	44,000	92,912
2014	44,000	91,138
2015	44,000	89,365
2016-2020	877,000	387,948
2021-2025	1,308,000	130,210
 Totals	 \$ 2,399,000	 \$ 982,454

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable:					
Wastewater Utility	\$ 1,300,000	\$ -	\$ 135,000	\$ 1,165,000	\$ 140,000
Storm Water Utility	2,750,000	-	255,000	2,495,000	265,000
Total revenue bonds payable	4,050,000	-	390,000	3,660,000	405,000
Loan payable:					
Wastewater Utility	2,438,000	-	39,000	2,399,000	42,000
Total Long-term liabilities	\$ 6,488,000	\$ -	\$ 429,000	\$ 6,059,000	\$ 447,000

F. Restricted Assets

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

Depreciation account	\$ 871,182
Bond and interest account	255,689
Construction account	316,347
Reserve account	651,282
Interest receivable	103
 Total restricted assets	 \$ 2,094,603

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

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 City Council on November 13, 2000. The Utility has 1,537 customers.

2. Wastewater Utility

The current rate structure was approved by the City Council on May 27, 2008. The Utility has 1,543 customers.

3. Storm Water Utility

The current rate structure was approved by the City Council on June 14, 2004. The Utility has 1,547 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 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:

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

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

Funding Policy

PERF members are required to contribute three percent of their annual covered salary. The Utilities are required to contribute at an actuarially determined rate; the current rate is 7.75 percent of annual covered payroll. The contribution requirements of plan members and the Utilities are established and may be amended by the PERF Board of Trustees.

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	\$ 53,857
Interest on net pension obligation	(4,704)
Adjustment to annual required contribution	5,361
Annual pension cost	54,514
Contributions made	53,558
Increase in net pension obligation	956
Net pension obligation, beginning of year	(64,886)
Net pension obligation, end of year	\$ (63,930)
Contribution rates:	
Utilities	7.75%
Plan members	3%
Actuarial valuation date	07-01-09
Actuarial cost method	Entry age normal cost
Amortization method	Level dollar, closed amortization period
Amortization period	30 years
Amortization period (from date)	07-01-07
Asset valuation method	75% of expected actuarial value plus 25% of market value

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

Actuarial Assumptions	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	4.00%
Cost-of-living adjustments	1.50%

Three Year Trend Information				
	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-07	\$ 43,750	110%	\$ (60,205)
	06-30-08	48,597	110%	(64,886)
	06-30-09	54,514	98%	(63,930)

Funded Status and Funding Progress for the Above Plan

The funded status of the plan as of June 30, 2009, the most recent actuarial valuation date, is as follows:

Public Employees' Retirement Plan					
Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
\$ 865,706	\$ 1,040,665	\$ (174,959)	83%	\$ 721,455	(24%)

The Schedule of Funding Progress, presented as RSI for the above plan following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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)
07-01-07	\$ 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%)

CITY OF BERNE MUNICIPAL UTILITIES  
EXIT CONFERENCE

The contents of this report were discussed on September 7, 2011, with Gwendolyn J. Maller, Clerk-Treasurer; and John F. Minch, Mayor. Our examination disclosed no material items that warrant comment at this time.