

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, 2011 to December 31, 2011



FILED
05/24/2012

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Gwendolyn J. Maller	01-01-08 to 12-31-15
Mayor	John F. Minch William F. McKean	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Board of Public Works and Safety	John F. Minch William F. McKean	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Common Council	Gregg A. Sprunger	01-01-11 to 12-31-12
Superintendent of Water Utility	John A. Crider	01-01-11 to 12-31-12
Superintendent of Wastewater Utility	Terry L. Konger, Jr.	01-01-11 to 12-31-12
Superintendent of Storm Water Utility	Shannon W. Smitley	01-01-11 to 12-31-12



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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 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 Water Utility, Wastewater Utility, and Storm Water Utility, major enterprise funds and departments of the City of Berne (Utilities), as of and for the year ended December 31, 2011. 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 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, 2011, 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 Utilities, as of December 31, 2011, 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 Utilities have not presented the 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

April 16, 2012

CITY OF BERNE MUNICIPAL UTILITIES
STATEMENT OF NET ASSETS
December 31, 2011

<u>Assets</u>	Water Utility	Wastewater Utility	Storm Water Utility
Current assets:			
Cash and cash equivalents	\$ 335,935	\$ 100,119	\$ 168,928
Accounts receivable	3,422	7,495	4,983
Taxes receivable	56	-	-
Inventories	37,927	-	-
Prepaid items	10,351	10,351	4,543
Interfund loans receivable	1,000	-	-
Total current assets	388,691	117,965	178,454
Noncurrent assets:			
Restricted cash, cash equivalents and investments:			
Depreciation cash and investments	178,565	198,614	-
Bond and interest cash and investments	40,922	17,782	182,400
Construction cash and investments	-	131,411	68,559
Reserve cash and investments	-	6,192	372,541
SRF bond and interest cash and investments	-	11,649	-
SRF construction cash and investments	-	82,778	-
SRF reserve cash and investments	-	300,549	-
Total restricted assets	219,487	748,975	623,500
Interfund loans receivable	300,000	15,000	-
Deferred charges	-	100,109	72,780
Capital assets:			
Land and construction in progress	125,559	709,897	211,298
Other capital assets (net of accumulated depreciation)	2,437,762	6,588,031	3,295,482
Total capital assets	2,563,321	7,297,928	3,506,780
Total noncurrent assets	3,082,808	8,162,012	4,203,060
Total assets	3,471,499	8,279,977	4,381,514
Liabilities			
Current liabilities:			
Accounts payable	7,170	9,032	2,808
Wages payable	298	1,188	99
Taxes payable	1,300	-	-
Compensated absences payable	11,994	10,201	3,286
Interfund loan payable	-	-	1,000
Contracts payable	18,656	-	-
Current liabilities payable from restricted assets:			
Loan payable	-	40,000	-
Revenue bonds payable	-	171,000	275,000
Accrued interest payable	-	10,951	7,508
Total current liabilities	39,418	242,372	289,701
Noncurrent liabilities:			
Revenue bonds payable (net of: unamortized premium; deferral on refunding)	-	858,444	1,955,000
Loan payable	-	2,317,000	-
Interfund loan payable	-	300,000	15,000
Total noncurrent liabilities	-	3,475,444	1,970,000
Total liabilities	39,418	3,717,816	2,259,701
Net Assets			
Invested in capital assets, net of related debt	2,563,321	3,911,484	1,276,780
Restricted for debt service	40,922	336,172	554,941
Restricted for other purposes	178,565	412,803	68,559
Unrestricted	649,273	(98,298)	221,533
Total net assets	\$ 3,432,081	\$ 4,562,161	\$ 2,121,813

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, 2011

	Water Utility	Wastewater Utility	Storm Water Utility
Operating revenues:			
Unmetered revenue	\$ -	\$ -	\$ 564,889
Metered water revenue	305,291	-	-
Fire protection revenue	66,010	-	-
Measured revenue	-	739,969	-
Other	7,658	12,529	-
	<u>378,959</u>	<u>752,498</u>	<u>564,889</u>
Total operating revenues			
Operating expenses:			
Salaries and wages	163,367	151,500	70,376
Employee pensions and benefits	44,484	40,395	24,996
Purchased power	49,433	46,084	958
Chemicals	35,354	-	-
Materials and supplies	182,196	94,178	38,866
Contractual services	7,074	11,660	5,955
Transportation expenses	5,312	8,229	1,794
Insurance expense	13,926	13,994	5,088
Depreciation	78,537	133,380	79,007
Miscellaneous expenses	9,451	3,991	2,426
	<u>589,134</u>	<u>503,411</u>	<u>229,466</u>
Total operating expenses			
Operating income (loss)	<u>(210,175)</u>	<u>249,087</u>	<u>335,423</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	2,314	1,725	2,229
Interest expense	-	(146,065)	(94,514)
Amortization of bond issuance costs	-	(10,792)	(11,343)
	<u>2,314</u>	<u>(155,132)</u>	<u>(103,628)</u>
Total nonoperating revenues (expenses)			
Income (loss) before contributions	<u>(207,861)</u>	<u>93,955</u>	<u>231,795</u>
Capital contributions	<u>598,233</u>	<u>641,910</u>	<u>-</u>
Change in net assets	<u>390,372</u>	<u>735,865</u>	<u>231,795</u>
Total net assets - beginning	<u>3,041,709</u>	<u>3,826,296</u>	<u>1,890,018</u>
Total net assets - ending	<u>\$ 3,432,081</u>	<u>\$ 4,562,161</u>	<u>\$ 2,121,813</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, 2011

	Water Utility	Wastewater Utility	Storm Water Utility
Cash flows from operating activities:			
Receipts from customers and users	\$ 378,656	\$ 753,586	\$ 564,904
Payments to suppliers and contractors	(301,824)	(189,845)	(55,053)
Payments to employees	(198,486)	(183,545)	(92,142)
Net cash provided (used) by operating activities	<u>(121,654)</u>	<u>380,196</u>	<u>417,709</u>
Cash flows from noncapital financing activities:			
Interfund loans	<u>18,000</u>	<u>-</u>	<u>(18,000)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(549,757)	(45,806)	-
Principal paid on capital debt	-	(125,000)	(265,000)
Interest paid on capital debt	-	(116,629)	(95,398)
Bond issue costs paid	-	(34,500)	-
Defeasance of bonds payment	-	(64,236)	-
Net cash used by capital and related financing activities	<u>(549,757)</u>	<u>(386,171)</u>	<u>(360,398)</u>
Cash flows from investing activities:			
Interest received	2,416	1,725	2,229
Proceeds from sale of investments	<u>250,000</u>	<u>-</u>	<u>-</u>
Net cash provided by investing activities	<u>252,416</u>	<u>1,725</u>	<u>2,229</u>
Net increase (decrease) in cash and cash equivalents	(400,995)	(4,250)	41,540
Cash and cash equivalents, January 1	<u>956,417</u>	<u>853,344</u>	<u>750,888</u>
Cash and cash equivalents, December 31	<u>\$ 555,422</u>	<u>\$ 849,094</u>	<u>\$ 792,428</u>
Unrestricted cash and cash equivalents	\$ 335,935	\$ 100,119	\$ 168,928
Restricted cash and cash equivalents	<u>219,487</u>	<u>748,975</u>	<u>623,500</u>
Cash and cash equivalents, December 31	<u>\$ 555,422</u>	<u>\$ 849,094</u>	<u>\$ 792,428</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	<u>\$ (210,175)</u>	<u>\$ 249,087</u>	<u>\$ 335,423</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	78,537	133,380	79,007
(Increase) decrease in assets:			
Accounts receivable	(255)	1,088	15
Taxes receivable	(48)	-	-
Inventories	4,079	-	-
Prepaid items	493	493	3
Increase (decrease) in liabilities:			
Accounts payable	(3,516)	(12,202)	31
Wages payable	(38)	846	(56)
Taxes payable	(134)	-	-
Compensated absences payable	9,403	7,504	3,286
Total adjustments	<u>88,521</u>	<u>131,109</u>	<u>82,286</u>
Net cash provided (used) by operating activities	<u>\$ (121,654)</u>	<u>\$ 380,196</u>	<u>\$ 417,709</u>
Noncash investing, capital and financing activities:			
Capital assets acquired through contracts payable	\$ 18,656	\$ -	\$ -
Capital assets acquired through government contributions	598,233	641,910	-

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 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 has elected not to follow subsequent private-sector guidance.

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 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.

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 Utility 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 Water Utility restricted net assets of \$219,487, of which \$0 is restricted by enabling legislation; Wastewater Utility restricted net assets of \$748,975, of which \$748,975 is restricted by enabling legislation; and Storm Water Utility restricted net assets of \$623,500, of which \$623,500 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.

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.

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

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.

E. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

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, 2011, the Utilities had deposit balances in the amount of \$2,196,944. (Water Utility \$555,422, Wastewater Utility \$849,094 and Storm Water Utility \$792,428)

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.

B. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

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

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 69,678	\$ -	\$ -	\$ 69,678
Construction in progress	157,215	55,881	157,215	55,881
Total capital assets, not being depreciated	226,893	55,881	157,215	125,559
Capital assets, being depreciated:				
Buildings	1,563,775	1,160,442	-	2,724,217
Improvements other than buildings	1,636,471	20,728	-	1,657,199
Machinery and equipment	262,135	-	-	262,135
Transportation equipment	79,663	-	29,700	49,963
Totals	3,542,044	1,181,170	29,700	4,693,514
Less accumulated depreciation for:				
Buildings	(949,861)	(31,275)	-	(981,136)
Improvements other than buildings	(1,052,468)	(26,988)	-	(1,079,456)
Machinery and equipment	(166,622)	(13,107)	-	(179,729)
Transportation equipment	(37,964)	(7,167)	(29,700)	(15,431)
Totals	(2,206,915)	(78,537)	(29,700)	(2,255,752)
Total capital assets, being depreciated, net	1,335,129	1,102,633	-	2,437,762
Total capital assets, net	\$ 1,562,022	\$ 1,158,514	\$ 157,215	\$ 2,563,321
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 54,850	\$ -	\$ -	\$ 54,850
Construction in progress	-	655,047	-	655,047
Total capital assets, not being depreciated	54,850	655,047	-	709,897
Capital assets, being depreciated:				
Buildings	2,711,764	-	-	2,711,764
Improvements other than buildings	5,547,665	4,761	-	5,552,426
Machinery and equipment	473,359	27,908	-	501,267
Totals	8,732,788	32,669	-	8,765,457
Less accumulated depreciation for:				
Buildings	(1,178,051)	(54,235)	-	(1,232,286)
Improvements other than buildings	(610,518)	(55,477)	-	(665,995)
Machinery and equipment	(255,477)	(23,668)	-	(279,145)
Totals	(2,044,046)	(133,380)	-	(2,177,426)
Total capital assets, being depreciated, net	6,688,742	(100,711)	-	6,588,031
Total capital assets, net	\$ 6,743,592	\$ 554,336	\$ -	\$ 7,297,928
Storm Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 211,298	\$ -	\$ -	\$ 211,298
Capital assets, being depreciated:				
Improvements other than buildings	3,332,255	-	-	3,332,255
Machinery and equipment	247,230	-	-	247,230
Totals	3,579,485	-	-	3,579,485
Less accumulated depreciation for:				
Improvements other than buildings	(139,051)	(66,645)	-	(205,696)
Machinery and equipment	(65,945)	(12,362)	-	(78,307)
Totals	(204,996)	(79,007)	-	(284,003)
Total capital assets, being depreciated, net	3,374,489	(79,007)	-	3,295,482
Total capital assets, net	\$ 3,585,787	\$ (79,007)	\$ -	\$ 3,506,780

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

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

	2011
Water	\$ 78,537
Wastewater	133,380
Storm Water	79,007
Total depreciation expense	\$ 290,924

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Expended to December 31, 2011	Committed
Water Utility:		
System Improvements	\$ 55,881	\$ -
Wastewater Utility:		
Sewer Separation	\$ 655,047	\$ 327,781

D. Interfund Balances and Activity

Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2011, is as follows:

Interfund Receivable	Interfund Payable	2011
Water Utility	Wastewater Utility	\$ 300,000
Water Utility	Storm Water Utility	1,000
Wastewater Utility	Storm Water Utility	15,000
Total		\$ 316,000

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.

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

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	Balance at December 31	Plus: Unamortized Premium	Less: Deferral on Refunding	Amount
Wastewater Utility:					
2011 Wastewater refunding bonds	3.57%	\$ 1,020,000	\$ 37,166	\$ 27,722	\$ 1,029,444
Storm Water Utility:					
2006 Storm Water revenue bonds	4% to 4.15%	2,230,000	-	-	2,230,000
Totals		<u>\$ 3,250,000</u>	<u>\$ 37,166</u>	<u>\$ 27,722</u>	<u>\$ 3,259,444</u>

Revenue bonds debt service requirements to maturity are as follows:

	Wastewater Utility		Storm Water Utility	
	Principal	Interest	Principal	Interest
2012	\$ 171,000	\$ 34,906	\$ 275,000	\$ 84,598
2013	177,000	28,747	290,000	73,297
2014	184,000	22,372	305,000	61,398
2015	190,000	15,748	315,000	48,997
2016	197,000	8,892	330,000	36,098
2017-2018	101,000	1,804	715,000	29,896
Totals	<u>\$ 1,020,000</u>	<u>\$ 112,469</u>	<u>\$ 2,230,000</u>	<u>\$ 334,284</u>

2. Loans Payable

The Wastewater Utility has entered into a loan. Annual debt service requirements to maturity for the loan, including interest of \$886,176, are as follows:

	Principal	Interest
Wastewater Utility:		
2012	\$ 40,000	\$ 94,604
2013	44,000	92,912
2014	44,000	91,138
2015	44,000	89,365
2016	44,000	87,592
2017-2021	1,118,000	350,227
2022-2025	1,023,000	80,338
Totals	<u>\$ 2,357,000</u>	<u>\$ 886,176</u>

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

3. Advance Refunding

On May 25, 2011 the City of Berne Wastewater Utility issued \$1,103,000 in refunding revenue bonds with an average interest rate of 3.57 percent to advance refund \$1,165,000 of outstanding 1997 series bonds with an average rate of 4.95 percent. The net proceeds of \$1,133,139 (after payment of \$11,030 in issuance costs and receipt of a \$41,169 premium) and local contributions of \$64,236 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1997 series bonds. As a result, these bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets. The refunding resulted in the accounting loss of \$30,708 which has been recognized on the Statement of Net Assets as Deferral of Loss on Refunding. This amount will be amortized using the straight line method and charged to interest expense over the next six years and realized an economic gain (difference between the present values of the old and new debt payments) of \$83,204.

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable:					
Wastewater Utility	\$ 1,165,000	\$ 1,103,000	\$ 1,248,000	\$ 1,020,000	\$ 171,000
Storm Water Utility	2,495,000	-	265,000	2,230,000	275,000
Total revenue bonds payable	3,660,000	1,103,000	1,513,000	3,250,000	446,000
Loan payable:					
Wastewater Utility	2,399,000	-	42,000	2,357,000	40,000
Total Long-term liabilities	<u>\$ 6,059,000</u>	<u>\$ 1,103,000</u>	<u>\$ 1,555,000</u>	<u>\$ 5,607,000</u>	<u>\$ 486,000</u>

F. Restricted Assets

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

	Water Utility	Wastewater Utility	Storm Water Utility
Depreciation account	\$ 178,565	\$ 198,614	\$ -
Bond and interest account	40,922	29,431	182,400
Construction account	-	214,189	68,559
Reserve account	-	306,741	372,541
Total restricted assets	<u>\$ 219,487</u>	<u>\$ 748,975</u>	<u>\$ 623,500</u>

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

G. Revenues Pledged

Wastewater Utility Revenues Pledged

The Utility has pledged future operating revenues, net of specified operating expenditures, to repay a state revolving fund loan issued in 2008 and revenue bonds issued in 2011. Proceeds from the loan provided financing to pay for the north sewer interceptor separation. Proceeds from the bonds provided financing for the refunding of a prior bond issue. The debt is payable solely from utility revenues and is payable through 2025 for the loan and 2017 for the bonds. Annual principal and interest payments are expected to require less than 82 percent of net revenues.

Storm Water Utility Revenues Pledged

The Utility has pledged future operating revenues, net of specified operating expenditures, to repay revenue bonds issued in 2006. Proceeds from the bonds provided financing to pay for the construction of the south trunk line and flood relief. The bonds are payable solely from utility revenues and are payable through 2018. Annual principal and interest payments are expected to require less than 89 percent of net revenues.

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 1,524 customers.

2. Wastewater Utility

The current rate structure was approved by the City Council on May 27, 2008. The Utility has 1,536 customers.

3. Storm Water Utility

The current rate structure was approved by the City Council on July 24, 2006. The Utility has 1,553 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 Indiana Public Retirement System (INPRS) Board, most requirements of the system and give the Utilities authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3 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.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

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 and is not presented as an asset/liability of the proprietary funds.

CITY OF BERNE MUNICIPAL UTILITIES
EXIT CONFERENCE

The contents of this report were discussed on April 16, 2012, with Gwendolyn J. Maller, Clerk-Treasurer; William F. McKean, Mayor; John F. Minch, former Mayor; and Gregg A. Sprunger, President of the Common Council. Our examination disclosed no material items that warrant comment at this time.