

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF BERNE
ADAMS COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
05/30/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Gwendolyn J. Maller	01-01-12 to 12-31-15
Mayor	William F. McKean	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	William F. McKean	01-01-12 to 12-31-15
President of the Common Council	Gregg A. Sprunger	01-01-12 to 12-31-13
Water Utility Superintendent	John A. Crider	01-01-12 to 12-31-13
Wastewater Utility Superintendent	Terry L. Kongar, Jr.	01-01-12 to 12-31-13
Storm Water Utility Superintendent	Shannon W. Smitley	01-01-12 to 12-31-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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

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

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Berne (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT
(Continued)

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2012.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 6, 2013, 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* in considering the City's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other reports used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.



Bruce Hartman
State Examiner

May 6, 2013



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302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
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Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, 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, the financial statement of the City of Berne (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated May 6, 2013, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bruce Hartman
State Examiner

May 6, 2013

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF BERNE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ 941,891	\$ 1,405,903	\$ 1,411,736	\$ 936,058
Motor Vehicle Highway	236,274	325,168	293,248	268,194
Local Road and Street	55,275	16,677	40,000	31,952
Police Continuing Education	5,724	3,210	3,689	5,245
Rainy Day	23,354	100,058	11,288	112,124
Economic Development Income Tax	104,152	119,836	85,183	138,805
BRC Bond and Interest	389,368	386,032	205,563	569,837
Cumulative Capital Development	298,930	51,052	39,595	310,387
Cumulative Capital Improvement	82,601	10,850	1,132	92,319
Police Pension	88,789	19,461	22,196	86,054
Tree	240	1,450	-	1,690
Animal Control	267	10	-	277
Police Education Donations	925	-	-	925
Sidewalk Matching	5,427	12,276	7,714	9,989
Donation	1,769	67,345	68,545	569
Citizen Sewer Compliance	18,372	8,317	48	26,641
Park Donations	12,522	25,357	30,805	7,074
Park Deposit	-	4,875	4,875	-
Grant DR2	-	541,914	541,914	-
Grant	-	37,225	37,225	-
Payroll Deduction	11,141	1,110,124	1,121,761	(496)
BRC Operating	37,489	101	-	37,590
BRC Reserve	124,391	355	-	124,746
Storm Water Operating	168,928	570,910	571,301	168,537
Storm Water Bond and Interest	182,400	367,854	359,598	190,656
Storm Water Construction	68,559	51	500	68,110
Storm Water Reserve	372,541	379	-	372,920
Wastewater Operating	100,119	749,864	804,267	45,716
Wastewater Depreciation	198,614	31,089	45,413	184,290
Wastewater Bond and Interest	17,782	205,844	205,907	17,719
Wastewater Construction	131,411	59	59,708	71,762
Wastewater Reserve	6,192	2	-	6,194
Wastewater SRF Bond and Interest	11,649	135,164	134,604	12,209
Wastewater SRF Reserve	300,549	28,283	-	328,832
Wastewater SRF Construction	82,778	61	30,988	51,851
Water Operating	335,935	442,757	522,869	255,823
Water Depreciation	178,566	34,676	45,166	168,076
Water Bond and Interest	40,922	32	-	40,954
Totals	<u>\$ 4,635,846</u>	<u>\$ 6,814,621</u>	<u>\$ 6,706,838</u>	<u>\$ 4,743,629</u>

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

CITY OF BERNE
NOTES TO FINANCIAL STATEMENT

Note 1. 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 some or all of the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, storm water, and trash.

The accompanying financial statement presents the financial information for the City.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), 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 regulatory 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.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, county option income tax, wheel tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, building and planning permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

CITY OF BERNE
NOTES TO FINANCIAL STATEMENT
(Continued)

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Penalties which include fees received for late payments.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

CITY OF BERNE
NOTES TO FINANCIAL STATEMENT
(Continued)

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. 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. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the City 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
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

The City may be 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; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plan

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 this 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 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 members' 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. That 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 the plan members for PERF are established by the Board of Trustees of INPRS.

B. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan 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

CITY OF BERNE
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

C. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) 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 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS 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:

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

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

Note 7. Cash Balance Deficit

The financial statement contains the Payroll Deduction Fund with a cash deficit. This is a result of one employee withholding voluntary PERF and then being paid back due to ineligibility. Due to a system change, five quarters of PERF were paid in 2012.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF BERNE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	General	Motor Vehicle Highway	Local Road and Street	Police Continuing Education	Rainy Day	Economic Development Income Tax	BRC Bond and Interest
Cash and investments - beginning	\$ 941,891	\$ 236,274	\$ 55,275	\$ 5,724	\$ 23,354	\$ 104,152	\$ 389,368
Receipts:							
Taxes	747,473	200,777	-	-	-	-	197,019
Licenses and permits	6,504	-	-	1,330	-	-	-
Intergovernmental	305,194	122,537	16,533	-	-	86,945	-
Charges for services	283,077	930	-	893	-	32,500	-
Fines and forfeits	170	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	63,485	924	144	987	100,058	391	189,013
Total receipts	<u>1,405,903</u>	<u>325,168</u>	<u>16,677</u>	<u>3,210</u>	<u>100,058</u>	<u>119,836</u>	<u>386,032</u>
Disbursements:							
Personal services	820,132	128,562	-	-	-	-	-
Supplies	74,814	30,161	-	3,689	-	-	-
Other services and charges	402,293	124,669	40,000	-	-	20,155	-
Debt service - principal and interest	-	-	-	-	-	55,028	205,563
Capital outlay	13,266	9,856	-	-	11,288	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	101,231	-	-	-	-	10,000	-
Total disbursements	<u>1,411,736</u>	<u>293,248</u>	<u>40,000</u>	<u>3,689</u>	<u>11,288</u>	<u>85,183</u>	<u>205,563</u>
Excess (deficiency) of receipts over disbursements	<u>(5,833)</u>	<u>31,920</u>	<u>(23,323)</u>	<u>(479)</u>	<u>88,770</u>	<u>34,653</u>	<u>180,469</u>
Cash and investments - ending	<u>\$ 936,058</u>	<u>\$ 268,194</u>	<u>\$ 31,952</u>	<u>\$ 5,245</u>	<u>\$ 112,124</u>	<u>\$ 138,805</u>	<u>\$ 569,837</u>

CITY OF BERNE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Cumulative Capital Development	Cumulative Capital Improvement	Police Pension	Tree	Animal Control	Police Education Donations	Sidewalk Matching
Cash and investments - beginning	\$ 298,930	\$ 82,601	\$ 88,789	\$ 240	\$ 267	\$ 925	\$ 5,427
Receipts:							
Taxes	46,056	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	4,164	10,606	19,235	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	10	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	832	244	226	1,450	-	-	12,276
Total receipts	51,052	10,850	19,461	1,450	10	-	12,276
Disbursements:							
Personal services	-	-	22,196	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	7,714
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	39,595	1,132	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	39,595	1,132	22,196	-	-	-	7,714
Excess (deficiency) of receipts over disbursements	11,457	9,718	(2,735)	1,450	10	-	4,562
Cash and investments - ending	\$ 310,387	\$ 92,319	\$ 86,054	\$ 1,690	\$ 277	\$ 925	\$ 9,989

CITY OF BERNE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Donation	Citizen Sewer Compliance	Park Donations	Park Deposit	Grant DR2	Grant	Payroll Deduction
Cash and investments - beginning	\$ 1,769	\$ 18,372	\$ 12,522	\$ -	\$ -	\$ -	\$ 11,141
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	541,914	37,225	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	67,345	8,317	25,357	4,875	-	-	1,110,124
Total receipts	<u>67,345</u>	<u>8,317</u>	<u>25,357</u>	<u>4,875</u>	<u>541,914</u>	<u>37,225</u>	<u>1,110,124</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	55,050	-	30,145	-	541,914	37,225	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	13,495	48	660	4,875	-	-	1,121,761
Total disbursements	<u>68,545</u>	<u>48</u>	<u>30,805</u>	<u>4,875</u>	<u>541,914</u>	<u>37,225</u>	<u>1,121,761</u>
Excess (deficiency) of receipts over disbursements	<u>(1,200)</u>	<u>8,269</u>	<u>(5,448)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,637)</u>
Cash and investments - ending	<u>\$ 569</u>	<u>\$ 26,641</u>	<u>\$ 7,074</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (496)</u>

CITY OF BERNE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	BRC Operating	BRC Reserve	Storm Water Operating	Storm Water Bond and Interest	Storm Water Construction	Storm Water Reserve
Cash and investments - beginning	\$ 37,489	\$ 124,391	\$ 168,928	\$ 182,400	\$ 68,559	\$ 372,541
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	569,207	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	101	355	1,703	367,854	51	379
Total receipts	<u>101</u>	<u>355</u>	<u>570,910</u>	<u>367,854</u>	<u>51</u>	<u>379</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	28,415	-	-	-
Utility operating expenses	-	-	159,153	-	500	-
Other disbursements	-	-	383,733	359,598	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>571,301</u>	<u>359,598</u>	<u>500</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>101</u>	<u>355</u>	<u>(391)</u>	<u>8,256</u>	<u>(449)</u>	<u>379</u>
Cash and investments - ending	<u>\$ 37,590</u>	<u>\$ 124,746</u>	<u>\$ 168,537</u>	<u>\$ 190,656</u>	<u>\$ 68,110</u>	<u>\$ 372,920</u>

CITY OF BERNE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Wastewater Operating	Wastewater Depreciation	Wastewater Bond and Interest	Wastewater Construction	Wastewater Reserve	Wastewater SRF Bond and Interest
Cash and investments - beginning	\$ 100,119	\$ 198,614	\$ 17,782	\$ 131,411	\$ 6,192	\$ 11,649
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	724,785	-	-	-	-	-
Penalties	7,826	-	-	-	-	-
Other receipts	17,253	31,089	205,844	59	2	135,164
Total receipts	<u>749,864</u>	<u>31,089</u>	<u>205,844</u>	<u>59</u>	<u>2</u>	<u>135,164</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	12,726	-	-	15,796	-	-
Utility operating expenses	422,560	45,413	-	43,912	-	-
Other disbursements	368,981	-	205,907	-	-	134,604
Total disbursements	<u>804,267</u>	<u>45,413</u>	<u>205,907</u>	<u>59,708</u>	<u>-</u>	<u>134,604</u>
Excess (deficiency) of receipts over disbursements	<u>(54,403)</u>	<u>(14,324)</u>	<u>(63)</u>	<u>(59,649)</u>	<u>2</u>	<u>560</u>
Cash and investments - ending	<u>\$ 45,716</u>	<u>\$ 184,290</u>	<u>\$ 17,719</u>	<u>\$ 71,762</u>	<u>\$ 6,194</u>	<u>\$ 12,209</u>

CITY OF BERNE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Wastewater SRF Reserve	Wastewater SRF Construction	Water Operating	Water Depreciation	Water Bond and Interest	Totals
Cash and investments - beginning	\$ 300,549	\$ 82,778	\$ 335,935	\$ 178,566	\$ 40,922	\$ 4,635,846
Receipts:						
Taxes	-	-	-	-	-	1,191,325
Licenses and permits	-	-	-	-	-	7,834
Intergovernmental	-	-	-	-	-	1,144,353
Charges for services	-	-	-	-	-	317,400
Fines and forfeits	-	-	-	-	-	180
Utility fees	-	-	415,664	-	-	1,709,656
Penalties	-	-	1,608	-	-	9,434
Other receipts	28,283	61	25,485	34,676	32	2,434,439
Total receipts	28,283	61	442,757	34,676	32	6,814,621
Disbursements:						
Personal services	-	-	-	-	-	970,890
Supplies	-	-	-	-	-	108,664
Other services and charges	-	-	-	-	-	594,831
Debt service - principal and interest	-	-	-	-	-	260,591
Capital outlay	-	30,988	4,455	18,656	-	850,507
Utility operating expenses	-	-	482,535	26,510	-	1,180,583
Other disbursements	-	-	35,879	-	-	2,740,772
Total disbursements	-	30,988	522,869	45,166	-	6,706,838
Excess (deficiency) of receipts over disbursements	28,283	(30,927)	(80,112)	(10,490)	32	107,783
Cash and investments - ending	\$ 328,832	\$ 51,851	\$ 255,823	\$ 168,076	\$ 40,954	\$ 4,743,629

CITY OF BERNE
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Storm Water	\$ 301	\$ 8,084
Wastewater	7,138	10,190
Water	1,494	7,998
Governmental activities	<u>20,122</u>	<u>9,949</u>
Totals	<u>\$ 29,055</u>	<u>\$ 36,221</u>

CITY OF BERNE
SCHEDULE OF LEASES AND DEBT
December 31, 2012

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Revenue bonds	TIF distribution - 2003 land acquisition and infrastructure improvements	\$ 655,000	\$ 230,525
Notes and loans payable	Public safety facility 2007	51,003	54,905
Total governmental activities		<u>706,003</u>	<u>285,430</u>
Storm Water:			
Revenue bonds	Major Storm Water separation 2006	<u>1,955,000</u>	<u>363,298</u>
Wastewater:			
Revenue bonds	Sewer improvements and 2011 refund 1997 bonds	849,000	205,747
Revenue bonds	Sewer improvements SRF 2008 bonds	<u>2,317,000</u>	<u>136,912</u>
Total Wastewater		<u>3,166,000</u>	<u>342,659</u>
Totals		<u>\$ 5,827,003</u>	<u>\$ 991,387</u>

CITY OF BERNE
SCHEDULE OF CAPITAL ASSETS
December 31, 2012

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.

	Ending Balance
Governmental activities:	
Land	\$ 232,180
Buildings	3,041,653
Improvements other than buildings	789,506
Machinery, equipment, and vehicles	2,250,601
Total governmental activities	6,313,940
Storm Water:	
Land	211,299
Improvements other than buildings	3,332,256
Machinery, equipment, and vehicles	261,144
Total Storm Water	3,804,699
Wastewater:	
Land	54,850
Buildings	2,711,764
Improvements other than buildings	6,555,105
Machinery, equipment, and vehicles	572,435
Total Wastewater	9,894,154
Water:	
Land	69,678
Buildings	2,806,608
Improvements other than buildings	1,657,199
Machinery, equipment, and vehicles	339,937
Total Water	4,873,422
Total capital assets	\$ 24,886,215

CITY OF BERNE
OTHER REPORT

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

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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 FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Berne's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2012. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the type of requirements that could

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Bruce Hartman
State Examiner

May 6, 2013

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the City. The schedule and note are presented as intended by the City.

CITY OF BERNE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended December 31, 2012

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Housing and Urban Development</u>				
CDBG - State - Administered CDBG Cluster				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Indiana Office of Community and Rural Affairs	14.228	DR2-09-139 CF-10-102	\$ 541,914 <u>37,225</u>
Total - CDBG - State - Administered CDBG Cluster				<u>579,139</u>
Total - Department of Housing and Urban Development				<u>579,139</u>
<u>Environmental Protection Agency</u>				
Capitalization Grants for Clean Water State Revolving Funds	Indiana Finance Authority	66.458	WW065701 01	<u>11,766</u>
Total - Environmental Protection Agency				<u>11,766</u>
Total federal awards expended				<u><u>\$ 590,905</u></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 and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. 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
EXIT CONFERENCE

The contents of this report were discussed on May 6, 2013, with Gwendolyn J. Maller, Clerk-Treasurer; William F. McKean, Mayor; and Gregg A. Sprunger, President of the Common Council. Our audit disclosed no material items that warrant comment at this time.