

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, 2012 to December 31, 2012



FILED
05/30/2013

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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
Superintendent of Water Utility	John A. Crider	01-01-12 to 12-31-13
Superintendent of Wastewater Utility	Terry L. Kongar, Jr.	01-01-12 to 12-31-13
Superintendent of Storm Water Utility	Shannon W. Smitley	01-01-12 to 12-31-13



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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 Water Utility, Wastewater Utility, and Storm Water Utility (Utilities), major enterprise funds and departments of the City of Berne (City), as of and for the year ended December 31, 2012. 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, 2012, 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, 2012, 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 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

May 6, 2013

CITY OF BERNE MUNICIPAL UTILITIES
STATEMENT OF NET POSITION
December 31, 2012

<u>Assets</u>	Water Utility	Wastewater Utility	Storm Water Utility
Current assets:			
Cash and cash equivalents	\$ 255,823	\$ 45,714	\$ 168,537
Accounts receivable	7,998	10,190	8,084
Inventories	35,831	-	-
Prepaid items	8,558	8,558	3,525
Interfund loans receivable	-	1,500	-
	<hr/>	<hr/>	<hr/>
Total current assets	308,210	65,962	180,146
Noncurrent assets:			
Restricted cash and cash equivalents:			
Depreciation cash and cash equivalents	168,075	184,289	-
Bond and interest cash and cash equivalents	40,954	17,719	190,657
Construction cash and cash equivalents	-	71,761	68,110
Reserve cash and cash equivalents	-	6,193	372,919
SRF bond and interest cash and cash equivalents	-	12,208	-
SRF construction cash and cash equivalents	-	51,851	-
SRF reserve cash and cash equivalents	-	328,832	-
	<hr/>	<hr/>	<hr/>
Total restricted assets	209,029	672,853	631,686
Interfund loans receivable	300,000	-	-
Deferred charges	-	88,123	61,437
Capital assets:			
Land and construction in progress	69,678	83,350	211,298
Other capital assets (net of accumulated depreciation)	2,448,800	7,527,056	3,244,890
	<hr/>	<hr/>	<hr/>
Total capital assets	2,518,478	7,610,406	3,456,188
	<hr/>	<hr/>	<hr/>
Total noncurrent assets	3,027,507	8,371,382	4,149,311
	<hr/>	<hr/>	<hr/>
Total assets	3,335,717	8,437,344	4,329,457
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	1,494	1,138	301
Wages payable	826	1,109	249
Taxes payable	205	-	-
Compensated absences payable	12,484	11,793	5,103
Interfund loan payable	-	-	1,500
Current liabilities payable from restricted assets:			
Contracts payable	-	6,000	-
Loan payable	-	44,000	-
Revenue bonds payable	-	177,000	290,000
Accrued interest payable	-	10,308	6,591
	<hr/>	<hr/>	<hr/>
Total current liabilities	15,009	251,348	303,744
Noncurrent liabilities:			
Revenue bonds payable (net of: unamortized premium; deferral on refunding)	-	679,700	1,665,000
Loan payable	-	2,273,000	-
Interfund loan payable	-	300,000	-
	<hr/>	<hr/>	<hr/>
Total noncurrent liabilities	-	3,252,700	1,665,000
	<hr/>	<hr/>	<hr/>
Total liabilities	15,009	3,504,048	1,968,744
<u>Net position</u>			
Net investment in capital assets	2,518,478	4,461,011	1,501,188
Restricted for debt service	40,954	364,952	563,576
Restricted for other purposes	168,075	307,901	68,110
Unrestricted	593,201	(200,568)	227,839
	<hr/>	<hr/>	<hr/>
Total net position	\$ 3,320,708	\$ 4,933,296	\$ 2,360,713

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

CITY OF BERNE MUNICIPAL UTILITIES
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
As Of And For The Year Ended December 31, 2012

	Water Utility	Wastewater Utility	Storm Water Utility
Operating revenues:			
Unmetered revenue	\$ -	\$ -	\$ 572,308
Metered water revenue	332,671	-	-
Fire protection revenue	64,400	-	-
Measured revenue	-	731,836	-
Other	29,775	6,241	50
	<u>426,846</u>	<u>738,077</u>	<u>572,358</u>
Total operating revenues			
Operating expenses:			
Salaries and wages	154,842	152,111	73,817
Employee pensions and benefits	48,715	45,408	26,801
Purchased power	48,525	39,641	3,469
Chemicals	38,148	-	-
Materials and supplies	130,831	119,396	35,048
Contractual services	8,843	18,942	9,876
Transportation expenses	7,357	9,700	1,786
Insurance expense	16,294	16,294	6,358
Depreciation	99,191	134,822	79,007
Miscellaneous expenses	10,372	4,204	4,453
	<u>563,118</u>	<u>540,518</u>	<u>240,615</u>
Total operating expenses			
Operating income (loss)	<u>(136,272)</u>	<u>197,559</u>	<u>331,743</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	1,515	1,513	2,181
Interest expense	-	(127,124)	(83,681)
Amortization of bond issuance costs	-	(11,986)	(11,343)
	<u>1,515</u>	<u>(137,597)</u>	<u>(92,843)</u>
Total nonoperating revenues (expenses)			
Income (loss) before contributions	(134,757)	59,962	238,900
Capital contributions	23,384	311,173	-
Change in net position	(111,373)	371,135	238,900
Total net position - beginning	<u>3,432,081</u>	<u>4,562,161</u>	<u>2,121,813</u>
Total net position - ending	<u>\$ 3,320,708</u>	<u>\$ 4,933,296</u>	<u>\$ 2,360,713</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, 2012

	Water Utility	Wastewater Utility	Storm Water Utility
Cash flows from operating activities:			
Receipts from customers and users	\$ 422,326	\$ 735,382	\$ 569,257
Payments to suppliers and contractors	(263,252)	(214,278)	(62,479)
Payments to employees	(202,539)	(196,006)	(98,651)
Net cash provided (used) by operating activities	<u>(43,465)</u>	<u>325,098</u>	<u>408,127</u>
Cash flows from noncapital financing activities:			
Interfund loans	<u>1,000</u>	<u>13,500</u>	<u>(14,500)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(49,620)	(130,127)	(28,415)
Principal paid on capital debt	-	(211,000)	(275,000)
Interest paid on capital debt	-	(129,511)	(84,598)
Net cash used by capital and related financing activities	<u>(49,620)</u>	<u>(470,638)</u>	<u>(388,013)</u>
Cash flows from investing activities:			
Interest received	<u>1,515</u>	<u>1,513</u>	<u>2,181</u>
Net increase (decrease) in cash and cash equivalents	(90,570)	(130,527)	7,795
Cash and cash equivalents, January 1	<u>555,422</u>	<u>849,094</u>	<u>792,428</u>
Cash and cash equivalents, December 31	<u>\$ 464,852</u>	<u>\$ 718,567</u>	<u>\$ 800,223</u>
Unrestricted cash and cash equivalents	\$ 255,823	\$ 45,714	\$ 168,537
Restricted cash and cash equivalents	<u>209,029</u>	<u>672,853</u>	<u>631,686</u>
Cash and cash equivalents, December 31	<u>\$ 464,852</u>	<u>\$ 718,567</u>	<u>\$ 800,223</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	<u>\$ (136,272)</u>	<u>\$ 197,559</u>	<u>\$ 331,743</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	99,191	134,822	79,007
(Increase) decrease in assets:			
Accounts receivable	(4,576)	(2,695)	(3,101)
Taxes receivable	56	-	-
Inventories	2,096	-	-
Prepaid items	1,793	1,793	1,018
Increase (decrease) in liabilities:			
Accounts payable	(5,676)	(7,894)	(2,507)
Wages payable	528	(79)	150
Taxes payable	(1,095)	-	-
Compensated absences payable	490	1,592	1,817
Total adjustments	<u>92,807</u>	<u>127,539</u>	<u>76,384</u>
Net cash provided (used) by operating activities	<u>\$ (43,465)</u>	<u>\$ 325,098</u>	<u>\$ 408,127</u>
Noncash investing, capital and financing activities:			
Capital assets acquired through contracts payable	\$ -	\$ 6,000	\$ -
Capital assets acquired through government contributions	23,384	311,173	-

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 Position; Statement of Revenues, Expenses, and Changes in Net Position; 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 activities 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.

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 Position or Equity

1. Deposits and Investments

The Utilities' cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statute (IC 5-13-9) authorizes the Utilities to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

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

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 Position because their use is limited by applicable bond covenants.

The financial statements report Water Utility restricted net assets of \$209,029, none of which are restricted by enabling legislation; Wastewater Utility restricted net assets of \$672,853, all of which are restricted by enabling legislation; and Storm Water Utility restricted net assets of \$631,686, all of which are 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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 1,000	Composite rate	2%
Improvements other than buildings	1,000	Composite rate	1% to 5%
Machinery and equipment	1,000	Composite rate	5%
Transportation equipment	1,000	Straight-line	10 years

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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.

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

- 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 Position. 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, 2012, the Utilities had deposit balances in the amount of \$1,983,642 (Water Utility \$464,852, Wastewater Utility \$718,567 and Storm Water Utility \$800,223).

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, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 69,678	\$ -	\$ -	\$ 69,678
Construction in progress	<u>55,881</u>	<u>-</u>	<u>55,881</u>	<u>-</u>
Total capital assets, not being depreciated	<u>125,559</u>	<u>-</u>	<u>55,881</u>	<u>69,678</u>
Capital assets, being depreciated:				
Buildings	2,724,217	82,391	-	2,806,608
Improvements other than buildings	1,657,199	-	-	1,657,199
Machinery and equipment	262,135	4,454	-	266,589
Transportation equipment	<u>49,963</u>	<u>23,384</u>	<u>-</u>	<u>73,347</u>
Totals	<u>4,693,514</u>	<u>110,229</u>	<u>-</u>	<u>4,803,743</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility (continued):				
Less accumulated depreciation for:				
Buildings	(981,136)	(54,484)	-	(1,035,620)
Improvements other than buildings	(1,079,456)	(27,403)	-	(1,106,859)
Machinery and equipment	(179,729)	(13,107)	-	(192,836)
Transportation equipment	(15,431)	(4,197)	-	(19,628)
	<u>(2,255,752)</u>	<u>(99,191)</u>	<u>-</u>	<u>(2,354,943)</u>
Totals				
Total capital assets, being depreciated, net	<u>2,437,762</u>	<u>11,038</u>	<u>-</u>	<u>2,448,800</u>
Total capital assets, net	<u>\$ 2,563,321</u>	<u>\$ 11,038</u>	<u>\$ 55,881</u>	<u>\$ 2,518,478</u>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 54,850	\$ -	\$ -	\$ 54,850
Construction in progress	655,047	360,335	986,882	28,500
	<u>709,897</u>	<u>360,335</u>	<u>986,882</u>	<u>83,350</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	2,711,764	-	-	2,711,764
Improvements other than buildings	5,552,426	1,002,679	-	6,555,105
Machinery and equipment	501,267	71,168	-	572,435
	<u>8,765,457</u>	<u>1,073,847</u>	<u>-</u>	<u>9,839,304</u>
Totals				
Less accumulated depreciation for:				
Buildings	(1,232,286)	(54,235)	-	(1,286,521)
Improvements other than buildings	(665,995)	(55,524)	-	(721,519)
Machinery and equipment	(279,145)	(25,063)	-	(304,208)
	<u>(2,177,426)</u>	<u>(134,822)</u>	<u>-</u>	<u>(2,312,248)</u>
Totals				
Total capital assets, being depreciated, net	<u>6,588,031</u>	<u>939,025</u>	<u>-</u>	<u>7,527,056</u>
Total capital assets, net	<u>\$ 7,297,928</u>	<u>\$ 1,299,360</u>	<u>\$ 986,882</u>	<u>\$ 7,610,406</u>
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	28,415	14,500	261,145
	<u>3,579,485</u>	<u>28,415</u>	<u>14,500</u>	<u>3,593,400</u>
Totals				
Less accumulated depreciation for:				
Improvements other than buildings	(205,696)	(66,645)	-	(272,341)
Machinery and equipment	(78,307)	(12,362)	(14,500)	(76,169)
	<u>(284,003)</u>	<u>(79,007)</u>	<u>(14,500)</u>	<u>(348,510)</u>
Totals				
Total capital assets, being depreciated, net	<u>3,295,482</u>	<u>(50,592)</u>	<u>-</u>	<u>3,244,890</u>
Total capital assets, net	<u>\$ 3,506,780</u>	<u>\$ (50,592)</u>	<u>\$ -</u>	<u>\$ 3,456,188</u>

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

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

	2012
Water	\$ 99,191
Wastewater	134,822
Storm Water	79,007
Total depreciation expense	\$ 313,020

C. Construction Commitments

Construction work in progress is composed of the following:

	2012	
Project	Expended to December 31,	Committed
Wastewater Utility:		
Plant Upgrade	\$ 28,500	\$ 1,500

D. Interfund Balances and Activity

Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2012, is as follows:

Interfund Receivable	Interfund Payable	2012
Water Utility	Wastewater Utility	\$ 300,000
Wastewater Utility	Storm Water Utility	1,500
Total		\$ 301,500

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:

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

Purpose	Interest Rates	Balance at December 31	Plus: Unamortized Premium	Less: Deferral on Refunding	Amount
2011 Wastewater refunding bonds	3.57%	\$ 849,000	\$ 30,305	\$ 22,605	\$ 856,700
2006 Storm Water revenue bonds	4% to 4.15%	\$ 1,955,000	\$ -	\$ -	\$ 1,955,000

Revenue bonds debt service requirements to maturity are as follows:

	Wastewater Utility		Storm Water Utility	
	Principal	Interest	Principal	Interest
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	101,000	1,804	350,000	22,323
2018	-	-	365,000	7,574
Totals	<u>\$ 849,000</u>	<u>\$ 77,563</u>	<u>\$ 1,955,000</u>	<u>\$ 249,687</u>

2. Loans Payable

The Wastewater Utility has entered into a loan. Annual debt service requirements to maturity for the loan, including interest of \$791,572, are as follows:

	Principal	Interest
2013	\$ 44,000	\$ 92,912
2014	44,000	91,138
2015	44,000	89,365
2016	44,000	87,592
2017	46,000	85,799
2018-2022	1,367,000	302,713
2023-2025	<u>728,000</u>	<u>42,053</u>
Totals	<u>\$ 2,317,000</u>	<u>\$ 791,572</u>

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2012, was as follows:

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Wastewater Utility:					
Revenue bonds payable	\$ 1,020,000	\$ -	\$ 171,000	\$ 849,000	\$ 177,000
Loan payable	<u>2,357,000</u>	<u>-</u>	<u>40,000</u>	<u>2,317,000</u>	<u>44,000</u>
Total Wastewater Utility	<u>\$ 3,377,000</u>	<u>\$ -</u>	<u>\$ 211,000</u>	<u>\$ 3,166,000</u>	<u>\$ 221,000</u>
Storm Water Utility:					
Revenue bonds payable	<u>\$ 2,230,000</u>	<u>\$ -</u>	<u>\$ 275,000</u>	<u>\$ 1,955,000</u>	<u>\$ 290,000</u>

F. Restricted Assets

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

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Storm Water Utility</u>
Depreciation	\$ 168,075	\$ 184,289	\$ -
Bond and interest	40,954	29,927	190,657
Construction	-	123,612	68,110
Reserve	<u>-</u>	<u>335,025</u>	<u>372,919</u>
Total restricted assets	<u>\$ 209,029</u>	<u>\$ 672,853</u>	<u>\$ 631,686</u>

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. This debt is payable solely from utility revenues and is payable through 2025. Annual principal and interest payments are expected to require less than 88 percent of net operating 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 loan 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 90 percent of net operating revenues.

CITY OF BERNE MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
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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 October 9, 2012. 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 1,548 customers.

3. Storm Water Utility

The current rate structure was approved by the City Council on July 24, 2006. The Utility has 1,555 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 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 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)

Indiana Public Retirement System
One 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.

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 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.