

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, 2014 to December 31, 2014



FILED
08/26/2016

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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 12-31-19
Mayor	William F. McKean	01-01-12 to 12-31-19
President of the Board of Public Works and Safety	William F. McKean	01-01-12 to 12-31-19
President Pro Tempore of the Common Council	Gregg A. Sprunger	01-01-14 to 12-31-16
Superintendent of Water Utility	John A. Crider	01-01-14 to 12-31-16
Superintendent of Wastewater Utility	Terry L. Kongar, Jr.	01-01-14 to 12-31-16
Superintendent of Storm Water Utility	Shannon W. Smitley	01-01-14 to 12-31-16



STATE OF INDIANA
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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, 2014, and the related notes to the financial statement as listed in the Table of Contents.

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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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.

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, 2014.

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, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

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 records 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.

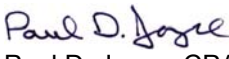
Other Information

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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 30, 2016, 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.


Paul D. Joyce, CPA
State Examiner

June 30, 2016



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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, 2014, and the related notes to the financial statement, and have issued our report thereon dated June 30, 2016, 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

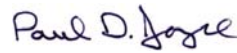
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

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.


Paul D. Joyce, CPA
State Examiner

June 30, 2016

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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, 2014

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
General	\$ 932,893	\$ 1,479,324	\$ 1,478,411	\$ 933,806
Motor Vehicle Highway	319,411	380,433	415,358	284,486
Local Road and Street	48,262	16,497	19,867	44,892
Police Continuing Education	5,253	2,848	6,223	1,878
Rainy Day	212,275	100,308	50,165	262,418
Economic Development Income Tax	162,994	118,451	39,348	242,097
Levy Excess	-	153	-	153
BRC Bond and Interest	472,136	326,600	253,563	545,173
Cumulative Capital Development	212,469	56,041	150,000	118,510
Cumulative Capital Improvement	103,196	10,717	17,560	96,353
Police Pension	89,323	11,672	11,513	89,482
Tree	1,690	-	-	1,690
Animal Control	277	12	-	289
Police Education Donations	925	-	-	925
Sidewalk Matching	7,521	15,319	22,424	416
Donation	5,465	14,587	4,609	15,443
Citizen Sewer Compliance	28,577	1,173	-	29,750
Park Donations	14,037	215	1,455	12,797
Volleyball Park Donations	-	9,279	4,456	4,823
Park Deposit	-	3,975	3,975	-
Park Improvement Donations	-	4,567	165	4,402
Safe Routes to School Grant	-	40,800	54,564	(13,764)
Payroll Deduction	(27)	1,213,221	1,212,473	721
BRC Operating	143,453	5,002	137,853	10,602
BRC Reserve	124,927	180	-	125,107
Storm Water Operating	185,095	577,746	560,444	202,397
Storm Water Bond and Interest	198,107	371,215	366,398	202,924
Storm Water Construction	40,011	-	500	39,511
Storm Water Reserve	372,919	-	-	372,919
Wastewater Operating	116,306	1,035,391	864,094	287,603
Wastewater Depreciation	184,289	15,363	-	199,652
Wastewater Bond and Interest	17,692	206,325	206,372	17,645
Wastewater Construction	4,161	-	750	3,411
Wastewater Reserve	6,193	-	-	6,193
Wastewater SRF Bond and Interest	12,205	245,589	162,309	95,485
Wastewater SRF Reserve	342,704	31,981	-	374,685
Wastewater SRF Construction	750	2,820,099	2,820,099	750
Water Operating	362,368	684,597	891,297	155,668
Water Depreciation	193,638	56,781	66,980	183,439
Water Bond and Interest	40,954	-	40,954	-
Totals	\$ 4,962,449	\$ 9,856,461	\$ 9,864,179	\$ 4,954,731

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, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, storm water, trash, and urban redevelopment and housing.

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 Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage 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 the following: peddler licenses, dog tax licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF BERNE
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts, which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of these types of receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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.

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 including, but 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, which 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, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service - principal and interest, which includes 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.

CITY OF BERNE
NOTES TO FINANCIAL STATEMENT
(Continued)

Capital outlay, which includes 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.

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.

CITY OF BERNE
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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 Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing 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
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

CITY OF BERNE
NOTES TO FINANCIAL STATEMENT
(Continued)

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 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:

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Indianapolis, IN 46204
Ph. (888) 526-1687

CITY OF BERNE
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy

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

Note 7. Cash Balance Deficits

The financial statement has a grant fund with a deficit in cash. This is a result of the fund being set up as a reimbursable grant. The reimbursement for expenditures made by the City was not received by December 31, 2014.

OTHER INFORMATION - UNAUDITED

The City's Annual Financial 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 Financial 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 other 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, 2014

	General	Motor Vehicle Highway	Local Road and Street	Police Continuing Education	Rainy Day	Economic Development Income Tax	Levy Excess
Cash and investments - beginning	\$ 932,893	\$ 319,411	\$ 48,262	\$ 5,253	\$ 212,275	\$ 162,994	\$ -
Receipts:							
Taxes	791,633	215,193	-	-	-	-	153
Licenses and permits	8,488	-	-	1,370	-	-	-
Intergovernmental receipts	337,783	163,348	16,425	-	-	94,564	-
Charges for services	287,712	1,116	-	1,061	-	23,600	-
Fines and forfeits	1,835	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	51,873	776	72	417	100,308	287	-
Total receipts	<u>1,479,324</u>	<u>380,433</u>	<u>16,497</u>	<u>2,848</u>	<u>100,308</u>	<u>118,451</u>	<u>153</u>
Disbursements:							
Personal services	854,514	185,362	-	-	-	-	-
Supplies	90,829	62,430	-	6,223	-	-	-
Other services and charges	417,861	165,814	19,867	-	-	27,262	-
Debt service - principal and interest	-	-	-	-	-	86	-
Capital outlay	14,398	1,752	-	-	50,165	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	100,809	-	-	-	-	12,000	-
Total disbursements	<u>1,478,411</u>	<u>415,358</u>	<u>19,867</u>	<u>6,223</u>	<u>50,165</u>	<u>39,348</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>913</u>	<u>(34,925)</u>	<u>(3,370)</u>	<u>(3,375)</u>	<u>50,143</u>	<u>79,103</u>	<u>153</u>
Cash and investments - ending	<u>\$ 933,806</u>	<u>\$ 284,486</u>	<u>\$ 44,892</u>	<u>\$ 1,878</u>	<u>\$ 262,418</u>	<u>\$ 242,097</u>	<u>\$ 153</u>

CITY OF BERNE
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2014
(Continued)

	BRC Bond and Interest	Cumulative Capital Development	Cumulative Capital Improvement	Police Pension	Tree	Animal Control	Police Education Donations
Cash and investments - beginning	\$ 472,136	\$ 212,469	\$ 103,196	\$ 89,323	\$ 1,690	\$ 277	\$ 925
Receipts:							
Taxes	326,179	45,925	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	4,798	10,578	11,547	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	12	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	421	5,318	139	125	-	-	-
Total receipts	326,600	56,041	10,717	11,672	-	12	-
Disbursements:							
Personal services	-	-	-	11,513	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	253,563	-	-	-	-	-	-
Capital outlay	-	150,000	17,560	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	253,563	150,000	17,560	11,513	-	-	-
Excess (deficiency) of receipts over (under) disbursements	73,037	(93,959)	(6,843)	159	-	12	-
Cash and investments - ending	\$ 545,173	\$ 118,510	\$ 96,353	\$ 89,482	\$ 1,690	\$ 289	\$ 925

CITY OF BERNE
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2014
(Continued)

	Sidewalk Matching	Donation	Citizen Sewer Compliance	Park Donations	Volleyball Park Donations	Park Deposit	Park Improvement Donations
Cash and investments - beginning	\$ 7,521	\$ 5,465	\$ 28,577	\$ 14,037	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	15,319	14,587	1,173	215	9,279	3,975	4,567
Total receipts	15,319	14,587	1,173	215	9,279	3,975	4,567
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	22,424	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	4,456	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	4,609	-	1,455	-	3,975	165
Total disbursements	22,424	4,609	-	1,455	4,456	3,975	165
Excess (deficiency) of receipts over (under) disbursements	(7,105)	9,978	1,173	(1,240)	4,823	-	4,402
Cash and investments - ending	\$ 416	\$ 15,443	\$ 29,750	\$ 12,797	\$ 4,823	\$ -	\$ 4,402

CITY OF BERNE
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2014
(Continued)

	Safe Routes to School Grant	Payroll Deduction	BRC Operating	BRC Reserve	Storm Water Operating	Storm Water Bond and Interest	Storm Water Construction
Cash and investments - beginning	\$ -	\$ (27)	\$ 143,453	\$ 124,927	\$ 185,095	\$ 198,107	\$ 40,011
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	40,800	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	576,555	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	1,213,221	5,002	180	1,191	371,215	-
Total receipts	40,800	1,213,221	5,002	180	577,746	371,215	-
Disbursements:							
Personal services	-	-	-	-	76,146	-	-
Supplies	-	-	7,882	-	-	-	-
Other services and charges	54,564	-	3,800	-	6,299	-	-
Debt service - principal and interest	-	-	-	-	-	366,398	-
Capital outlay	-	-	126,171	-	5,294	-	-
Utility operating expenses	-	-	-	-	101,491	-	500
Other disbursements	-	1,212,473	-	-	371,214	-	-
Total disbursements	54,564	1,212,473	137,853	-	560,444	366,398	500
Excess (deficiency) of receipts over (under) disbursements	(13,764)	748	(132,851)	180	17,302	4,817	(500)
Cash and investments - ending	\$ (13,764)	\$ 721	\$ 10,602	\$ 125,107	\$ 202,397	\$ 202,924	\$ 39,511

CITY OF BERNE
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2014
(Continued)

	Storm Water Reserve	Wastewater Operating	Wastewater Depreciation	Wastewater Bond and Interest	Wastewater Construction	Wastewater Reserve	Wastewater SRF Bond and Interest
Cash and investments - beginning	\$ 372,919	\$ 116,306	\$ 184,289	\$ 17,692	\$ 4,161	\$ 6,193	\$ 12,205
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	1,023,505	-	-	-	-	-
Penalties	-	11,126	-	-	-	-	-
Other receipts	-	760	15,363	206,325	-	-	245,589
Total receipts	-	1,035,391	15,363	206,325	-	-	245,589
Disbursements:							
Personal services	-	150,379	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	16,598	-	-	-	-	-
Debt service - principal and interest	-	-	-	206,372	-	-	162,309
Capital outlay	-	1,752	-	-	-	-	-
Utility operating expenses	-	211,493	-	-	750	-	-
Other disbursements	-	483,872	-	-	-	-	-
Total disbursements	-	864,094	-	206,372	750	-	162,309
Excess (deficiency) of receipts over (under) disbursements	-	171,297	15,363	(47)	(750)	-	83,280
Cash and investments - ending	\$ 372,919	\$ 287,603	\$ 199,652	\$ 17,645	\$ 3,411	\$ 6,193	\$ 95,485

CITY OF BERNE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Wastewater SRF Reserve	Wastewater SRF Construction	Water Operating	Water Depreciation	Water Bond and Interest	Totals
Cash and investments - beginning	\$ 342,704	\$ 750	\$ 362,368	\$ 193,638	\$ 40,954	\$ 4,962,449
Receipts:						
Taxes	-	-	-	-	-	1,379,083
Licenses and permits	-	-	-	-	-	9,858
Intergovernmental receipts	-	-	-	-	-	679,843
Charges for services	-	-	-	-	-	313,489
Fines and forfeits	-	-	-	-	-	1,847
Utility fees	-	-	632,590	-	-	2,232,650
Penalties	-	-	2,280	-	-	13,406
Other receipts	31,981	2,820,099	49,727	56,781	-	5,226,285
Total receipts	31,981	2,820,099	684,597	56,781	-	9,856,461
Disbursements:						
Personal services	-	-	175,896	-	-	1,453,810
Supplies	-	-	-	-	-	167,364
Other services and charges	-	-	16,598	-	-	751,087
Debt service - principal and interest	-	-	-	-	-	988,728
Capital outlay	-	-	88,741	66,980	-	527,269
Utility operating expenses	-	2,820,099	551,672	-	-	3,686,005
Other disbursements	-	-	58,390	-	40,954	2,289,916
Total disbursements	-	2,820,099	891,297	66,980	40,954	9,864,179
Excess (deficiency) of receipts over (under) disbursements	31,981	-	(206,700)	(10,199)	(40,954)	(7,718)
Cash and investments - ending	\$ 374,685	\$ 750	\$ 155,668	\$ 183,439	\$ -	\$ 4,954,731

CITY OF BERNE
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2014

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Storm Water	\$ 4,582	\$ 3,974
Wastewater	2,461	14,388
Water	7,931	5,706
Governmental activities	<u>115,624</u>	<u>6,296</u>
Totals	<u>\$ 130,598</u>	<u>\$ 30,364</u>

CITY OF BERNE
SCHEDULE OF LEASES AND DEBT
December 31, 2014

Description of Debt		Ending	Principal and
Type	Purpose	Principal	Interest Due
		Balance	Within One
			Year
Governmental activities:			
Revenue bonds	TIF District - 2003 Land Acquisition and Infrastructure Improvements	\$ 220,000	\$ 226,050
Storm Water:			
Revenue bonds	Major Storm Water Separation 2006	1,360,000	363,998
Wastewater:			
Revenue bonds	Sewer Improvement and 2011 Refund 1997 Bonds	488,000	205,748
Loans	Sewer Improvements SRF 2008 Loan	2,229,000	133,365
Loans	Sewer Improvements SRF 2014 Loan	2,796,099	255,243
Total Wastewater		5,513,099	594,356
Totals		\$ 7,093,099	\$ 1,184,404

CITY OF BERNE
SCHEDULE OF CAPITAL ASSETS
December 31, 2014

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
Land	\$ 232,180
Buildings	3,063,749
Improvements other than buildings	790,741
Machinery, equipment, and vehicles	2,580,711
Construction in progress	<u>8,856</u>
Total governmental activities	<u>6,676,237</u>
Storm Water:	
Land	211,299
Improvements other than buildings	3,366,589
Machinery, equipment, and vehicles	<u>270,575</u>
Total Storm Water	<u>3,848,463</u>
Wastewater:	
Land	54,850
Improvements other than buildings	9,266,869
Machinery, equipment, and vehicles	579,095
Construction in progress	<u>2,953,071</u>
Total Wastewater	<u>12,853,885</u>
Water:	
Land	69,678
Improvements other than buildings	4,517,785
Machinery, equipment, and vehicles	<u>480,038</u>
Total Water	<u>5,067,501</u>
Total capital assets	<u><u>\$ 28,446,086</u></u>

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 THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE**

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

Report on Compliance for the 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, 2014. 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 the 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, 2014.

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


Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the 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 types of requirements that could 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.


Paul D. Joyce, CPA
State Examiner

June 30, 2016

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

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, 2014

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 Transportation</u>				
Highway Planning and Construction Cluster				
Highway Planning and Construction	Indiana Department of Transportation	20.205		
Safe Routes to School			EDS # A249-12-320657	\$ 33,240
Safe Routes to School			EDS # A249-12-320659	7,560
Total - Highway Planning and Construction				40,800
Total - Highway Planning and Construction Cluster				40,800
Total - Department of Transportation				40,800
<u>Environmental Protection Agency</u>				
Clean Water State Revolving Fund Cluster				
Capitalization Grants for Clean Water State Revolving Funds	Indiana Finance Authority	66.458		
SRF			WW14080102	1,011,287
Total - Capitalization Grants for Clean Water State Revolving Funds				1,011,287
Total - Clean Water State Revolving Fund Cluster				1,011,287
Total - Environmental Protection Agency				1,011,287
Total federal awards expended				\$ 1,052,087

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 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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	no

Identification of Major Program:

Name of Federal Program or Cluster

Clean Water State Revolving Fund Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

OTHER REPORTS

In addition to this report, other reports may have been issued for the City. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.