

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

CITY OF BERNE MUNICIPAL UTILITIES

ADAMS COUNTY, INDIANA

January 1, 2013 to December 31, 2015



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	01-01-13 to 12-31-16
Superintendent of Water Utility	John A. Crider	01-01-13 to 12-31-16
Superintendent of Wastewater Utility	Terry L. Kongar, Jr.	01-01-13 to 12-31-16
Superintendent of Storm Water Utility	Shannon W. Smitley	01-01-13 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statements of the business-type activities of the Water, Wastewater, and Storm Water Utilities (Utilities), departments of the City of Berne (City), for the years ended December 31, 2013, 2014, and 2015. The financial statements are the responsibility of the Utilities' management. Our responsibility is to express an opinion on the financial statements 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 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 the financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Utilities. They do not purport to, and do not, present fairly the financial position of the City as of December 31, 2013, 2014, and 2015, and the changes in its financial position and its cash flows, where applicable, for the years 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, 2013, 2014, and 2015, and the respective changes in financial position and cash flows, thereof and for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

June 30, 2016

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FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

The financial statements and accompanying notes were prepared by management of the Utilities. The financial statements and notes are presented as intended by the Utilities.

CITY OF BERNE MUNICIPAL UTILITIES
STATEMENT OF NET POSITION
December 31, 2013

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Storm Water Utility</u>
Current assets:			
Cash and cash equivalents	\$ 362,368	\$ 116,306	\$ 185,095
Accounts receivable	6,713	13,627	5,614
Inventories	26,249	-	-
Prepaid items	8,841	8,841	3,696
	<hr/>	<hr/>	<hr/>
Total current assets	404,171	138,774	194,405
Noncurrent assets:			
Restricted cash, cash equivalents and investments:			
Depreciation cash and investments	193,638	184,289	-
Bond and interest cash and investments	40,954	17,692	198,107
Construction cash and investments	-	4,161	40,011
Reserve cash and investments	-	6,193	372,919
SRF bond and interest cash and investments	-	12,205	-
SRF construction cash and investments	-	750	-
SRF reserve cash and investments	-	342,704	-
	<hr/>	<hr/>	<hr/>
Total restricted assets	234,592	567,994	611,037
Interfund loans receivable	300,000	-	-
Deferred outflows	-	17,487	-
Capital assets:			
Land and construction in progress	69,678	225,094	211,298
Other capital assets (net of accumulated depreciation)	2,446,809	7,383,644	3,201,883
	<hr/>	<hr/>	<hr/>
Total capital assets	2,516,487	7,608,738	3,413,181
Total noncurrent assets	3,051,079	8,194,219	4,024,218
Total assets	<hr/>	<hr/>	<hr/>
	3,455,250	8,332,993	4,218,623
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	70,797	1,767	1,098
Wages payable	529	703	67
Taxes payable	2,620	-	-
Compensated absences payable	12,958	12,101	5,227
Contracts payable	-	37,273	-
Current liabilities payable from restricted assets:			
Loan payable	-	44,000	-
Revenue bonds payable	-	184,000	305,000
Accrued interest payable	-	9,633	5,625
	<hr/>	<hr/>	<hr/>
Total current liabilities	86,904	289,477	317,017
Noncurrent Liabilities:			
Revenue bonds payable (includes unamortized premium)	-	511,444	1,360,000
Loan payable	-	2,229,000	-
Interfund loan payable	-	300,000	-
	<hr/>	<hr/>	<hr/>
Total noncurrent liabilities	-	3,040,444	1,360,000
Total liabilities	<hr/>	<hr/>	<hr/>
	86,904	3,329,921	1,677,017
<u>Net position</u>			
Invested in capital assets, net of related debt	2,516,487	4,643,952	1,748,181
Restricted for debt service	40,954	378,794	571,026
Restricted for other purposes	193,638	189,200	40,011
Unrestricted	617,267	(208,874)	182,388
	<hr/>	<hr/>	<hr/>
Total net position	\$ 3,368,346	\$ 5,003,072	\$ 2,541,606

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

CITY OF BERNE MUNICIPAL UTILITIES
STATEMENT OF NET POSITION
December 31, 2014

<u>Assets</u>	Water Utility	Wastewater Utility	Storm Water Utility
Current assets:			
Cash and cash equivalents	\$ 155,668	\$ 287,603	\$ 202,397
Accounts receivable	5,706	14,388	3,974
Inventories	32,045	-	-
Prepaid items	10,092	10,092	4,288
Intergovernmental loans receivable	-	39,681	-
	<u>203,511</u>	<u>351,764</u>	<u>210,659</u>
Total current assets			
Noncurrent assets:			
Restricted cash, cash equivalents and investments:			
Depreciation cash and investments	183,439	199,652	-
Bond and interest cash and investments	-	17,645	202,924
Construction cash and investments	-	3,411	39,511
Reserve cash and investments	-	6,193	372,919
SRF bond and interest cash and investments	-	95,485	-
SRF construction cash and investments	-	750	-
SRF reserve cash and investments	-	374,685	-
	<u>183,439</u>	<u>697,821</u>	<u>615,354</u>
Total restricted assets			
Intergovernmental loans receivable	-	937,824	-
Interfund loans receivable	300,000	-	-
Deferred outflows	-	12,369	-
Capital assets:			
Land and construction in progress	69,678	2,934,496	211,298
Other capital assets (net of accumulated depreciation)	2,421,765	7,170,754	3,124,496
	<u>2,491,443</u>	<u>10,105,250</u>	<u>3,335,794</u>
Total capital assets			
Total noncurrent assets			
	<u>2,974,882</u>	<u>11,753,264</u>	<u>3,951,148</u>
Total assets			
	<u>3,178,393</u>	<u>12,105,028</u>	<u>4,161,807</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	5,180	2,250	4,562
Wages payable	171	210	22
Taxes payable	2,580	-	-
Compensated absences payable	12,355	11,833	4,535
Current liabilities payable from restricted assets:			
Loan payable	-	195,000	-
Revenue bonds payable	-	190,000	315,000
Accrued interest payable	-	23,235	4,608
	<u>20,286</u>	<u>422,528</u>	<u>328,727</u>
Total current liabilities			
Noncurrent liabilities:			
Revenue bonds payable (includes unamortized premium)	-	314,582	1,045,000
Loan payable	-	4,830,099	-
Interfund loan payable	-	300,000	-
	<u>-</u>	<u>5,444,681</u>	<u>1,045,000</u>
Total noncurrent liabilities			
Total liabilities			
	<u>20,286</u>	<u>5,867,209</u>	<u>1,373,727</u>
<u>Net position</u>			
Invested in capital assets, net of related debt	2,491,443	4,604,520	1,975,794
Restricted for debt service	-	494,008	575,843
Restricted for other purposes	183,439	203,813	39,511
Unrestricted	483,225	935,478	196,932
	<u>3,158,107</u>	<u>6,237,819</u>	<u>2,788,080</u>
Total net position			

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

CITY OF BERNE MUNICIPAL UTILITIES
STATEMENT OF NET POSITION
December 31, 2015

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Storm Water Utility</u>
Current assets:			
Cash and cash equivalents	\$ 145,200	\$ 386,499	\$ 230,082
Accounts receivable	3,135	12,452	4,229
Inventories	68,979	-	-
Prepaid items	11,150	11,150	5,502
Intergovernmental loans receivable	-	40,595	-
	<u>228,464</u>	<u>450,696</u>	<u>239,813</u>
Noncurrent assets:			
Restricted cash, cash equivalents and investments:			
Depreciation cash and investments	210,319	311,104	-
Bond and interest cash and investments	-	17,696	210,057
Construction cash and investments	-	2,138	39,136
Reserve cash and investments	-	6,193	372,919
SRF bond and interest cash and investments	-	162,663	-
SRF reserve cash and investments	-	438,493	-
	<u>210,319</u>	<u>938,287</u>	<u>622,112</u>
Intergovernmental loans receivable	-	897,229	-
Interfund loans receivable	300,000	-	1,000
Deferred outflows	-	7,251	-
Capital assets:			
Land and construction in progress	69,678	8,258,524	211,298
Other capital assets (net of accumulated depreciation)	2,345,229	6,988,484	3,045,709
	<u>2,414,907</u>	<u>15,247,008</u>	<u>3,257,007</u>
Total noncurrent assets	<u>2,925,226</u>	<u>17,089,775</u>	<u>3,880,119</u>
Total assets	<u>3,153,690</u>	<u>17,540,471</u>	<u>4,119,932</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	4,926	1,848	3,157
Wages payable	81	305	13
Taxes payable	2,541	-	-
Compensated absences payable	14,688	12,406	4,833
Contracts payable	-	333,868	-
Current liabilities payable from restricted assets:			
Loan payable	-	200,000	-
Revenue bonds payable	-	197,000	330,000
Accrued interest payable	-	22,248	3,558
	<u>22,236</u>	<u>767,675</u>	<u>341,561</u>
Total current liabilities	<u>22,236</u>	<u>767,675</u>	<u>341,561</u>
Noncurrent liabilities:			
Revenue bonds payable (includes unamortized premium)	-	110,720	715,000
Loan payable	-	9,620,260	-
Interfund loan payable	-	300,000	-
	<u>-</u>	<u>10,030,980</u>	<u>715,000</u>
Total noncurrent liabilities	<u>-</u>	<u>10,030,980</u>	<u>715,000</u>
Total liabilities	<u>22,236</u>	<u>10,798,655</u>	<u>1,056,561</u>
<u>Net position</u>			
Invested in capital assets, net of related debt	2,414,907	4,802,131	2,212,007
Restricted for debt service	-	625,045	582,976
Restricted for other purposes	210,319	313,242	39,136
Unrestricted	506,228	1,001,398	229,252
	<u>3,131,454</u>	<u>6,741,816</u>	<u>3,063,371</u>
Total net position	<u>\$ 3,131,454</u>	<u>\$ 6,741,816</u>	<u>\$ 3,063,371</u>

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, 2013

	Water Utility	Wastewater Utility	Storm Water Utility
Operating Revenues:			
Unmetered revenue	\$ -	\$ -	\$ 570,041
Metered water revenue	536,664	-	-
Fire protection revenue	66,332	-	-
Measured revenue	-	790,660	-
Other	21,042	7,276	69
	<u>624,038</u>	<u>797,936</u>	<u>570,110</u>
Total operating revenues			
Operating expenses:			
Salaries and wages	151,256	147,700	73,058
Employee pensions and benefits	46,274	47,924	27,637
Purchased power	52,555	33,934	4,824
Chemicals	32,812	-	-
Materials and supplies	144,254	88,101	49,382
Contractual services	7,241	22,656	10,327
Transportation expenses	7,348	12,735	1,813
Insurance expense	15,096	15,096	5,622
Depreciation	107,680	148,670	80,612
Miscellaneous expenses	12,698	4,625	3,334
	<u>577,214</u>	<u>521,441</u>	<u>256,609</u>
Total operating expenses			
Operating income	<u>46,824</u>	<u>276,495</u>	<u>313,501</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	814	644	1,160
Interest expense	-	(119,240)	(72,331)
	<u>814</u>	<u>(118,596)</u>	<u>(71,171)</u>
Total nonoperating revenues (expenses)			
Income	47,638	157,899	242,330
Total net position - beginning of year, as restated	<u>3,320,708</u>	<u>4,845,173</u>	<u>2,299,276</u>
Total net position - ending	<u>\$ 3,368,346</u>	<u>\$ 5,003,072</u>	<u>\$ 2,541,606</u>

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, 2014

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Storm Water Utility</u>
Operating Revenues:			
Unmetered revenue	\$ -	\$ -	\$ 574,915
Metered water revenue	526,948	-	-
Fire protection revenue	66,654	-	-
Measured revenue	-	1,031,461	-
Other	<u>18,747</u>	<u>4,091</u>	<u>46</u>
 Total operating revenues	 <u>612,349</u>	 <u>1,035,552</u>	 <u>574,961</u>
 Operating expenses:			
Salaries and wages	174,934	149,618	75,409
Employee pensions and benefits	53,068	47,440	27,195
Purchased power	55,518	37,036	5,234
Chemicals	27,858	-	-
Materials and supplies	351,498	88,558	49,443
Contractual services	7,408	27,500	15,622
Transportation expenses	9,907	7,434	2,402
Insurance expense	15,455	15,455	5,759
Depreciation	113,435	214,292	83,545
Miscellaneous expenses	<u>14,309</u>	<u>5,058</u>	<u>4,642</u>
 Total operating expenses	 <u>823,390</u>	 <u>592,391</u>	 <u>269,251</u>
 Operating income (loss)	 <u>(211,041)</u>	 <u>443,161</u>	 <u>305,710</u>
 Nonoperating revenues (expenses):			
Interest and investment revenue	802	6,264	1,145
Interest expense	-	(128,539)	(60,381)
Bond issuance costs	<u>-</u>	<u>(73,424)</u>	<u>-</u>
 Total nonoperating revenues (expenses)	 <u>802</u>	 <u>(195,699)</u>	 <u>(59,236)</u>
 Income (loss) before contributions	 <u>(210,239)</u>	 <u>247,462</u>	 <u>246,474</u>
 Capital contributions	 <u>-</u>	 <u>987,285</u>	 <u>-</u>
 Change in net position	 <u>(210,239)</u>	 <u>1,234,747</u>	 <u>246,474</u>
 Total net position - beginning of year	 <u>3,368,346</u>	 <u>5,003,072</u>	 <u>2,541,606</u>
 Total net position - ending	 <u><u>3,158,107</u></u>	 <u><u>\$ 6,237,819</u></u>	 <u><u>\$ 2,788,080</u></u>

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, 2015

	Water Utility	Wastewater Utility	Storm Water Utility
Operating Revenues:			
Unmetered revenue	\$ -	\$ -	\$ 566,962
Metered water revenue	549,456	-	-
Fire protection revenue	66,976	-	-
Measured revenue	-	1,237,412	-
Other	10,451	60,581	-
	<u>626,883</u>	<u>1,297,993</u>	<u>566,962</u>
Total operating revenues			
Operating expenses:			
Salaries and wages	189,032	147,651	72,714
Employee pensions and benefits	63,085	48,515	27,404
Purchased power	49,910	49,430	4,315
Chemicals	40,485	-	-
Materials and supplies	151,831	97,389	41,540
Contractual services	7,648	21,172	3,803
Transportation expenses	5,883	4,227	1,009
Insurance expense	18,227	18,227	6,986
Depreciation	114,286	218,812	82,293
Miscellaneous expenses	13,731	4,600	4,823
	<u>654,118</u>	<u>610,023</u>	<u>244,887</u>
Total operating expenses			
Operating income (loss)	<u>(27,235)</u>	<u>687,970</u>	<u>322,075</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	582	22,654	1,164
Interest expense	-	(206,627)	(47,948)
	<u>582</u>	<u>(183,973)</u>	<u>(46,784)</u>
Total nonoperating revenues (expenses)			
Income (loss)	(26,653)	503,997	275,291
Total net position - beginning of year, as restated	<u>3,158,107</u>	<u>6,237,819</u>	<u>2,788,080</u>
Total net position - ending	<u>\$ 3,131,454</u>	<u>\$ 6,741,816</u>	<u>\$ 3,063,371</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, 2013

	Water Utility	Wastewater Utility	Storm Water Utility
Cash flows from operating activities:			
Receipts from customers and users	\$ 625,323	\$ 794,499	\$ 572,580
Payments to suppliers and contractors	(258,317)	(176,801)	(75,026)
Payments to employee:	<u>(197,353)</u>	<u>(195,722)</u>	<u>(100,753)</u>
Net cash provided by operating activities	<u>169,653</u>	<u>421,976</u>	<u>396,801</u>
Cash flows from noncapital financing activities:			
Interfund loans	<u>-</u>	<u>1,500</u>	<u>(1,500)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(38,359)	(115,729)	(37,255)
Principal paid on capital debt	-	(221,000)	(290,000)
Interest paid on capital debt	<u>-</u>	<u>(121,658)</u>	<u>(73,297)</u>
Net cash used by capital and related financing activities	<u>(38,359)</u>	<u>(458,387)</u>	<u>(400,552)</u>
Cash flows from investing activities:			
Interest received	<u>814</u>	<u>644</u>	<u>1,160</u>
Net increase (decrease) in cash and cash equivalents	132,108	(34,267)	(4,091)
Cash and cash equivalents, January 1	<u>464,852</u>	<u>718,567</u>	<u>800,223</u>
Cash and cash equivalents, December 3	<u>\$ 596,960</u>	<u>\$ 684,300</u>	<u>\$ 796,132</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 46,824	\$ 276,495	\$ 313,501
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	107,680	148,670	80,612
(Increase) decrease in assets:			
Accounts receivable	1,285	(3,437)	2,470
Inventories	9,582	-	-
Prepaid items	(283)	(283)	(171)
Increase (decrease) in liabilities:			
Accounts payable	1,973	629	447
Wages payable	(297)	(406)	(182)
Taxes payable	2,415	-	-
Compensated absences payable	<u>474</u>	<u>308</u>	<u>124</u>
Total adjustments	<u>122,829</u>	<u>145,481</u>	<u>83,300</u>
Net cash provided by operating activities	<u>\$ 169,653</u>	<u>\$ 421,976</u>	<u>\$ 396,801</u>
Noncash investing, capital and financing activities:			
Capital assets acquired through accounts payable	\$ 67,330	\$ -	\$ 350
Capital assets acquired through contracts payable	-	37,273	-

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, 2014

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Storm Water Utility</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 613,356	\$ 1,034,791	\$ 576,601
Payments to suppliers and contractors	(487,327)	(181,809)	(81,865)
Payments to employees	<u>(228,963)</u>	<u>(197,819)</u>	<u>(103,341)</u>
Net cash provided (used) by operating activities	<u>(102,934)</u>	<u>655,163</u>	<u>391,395</u>
Cash flows from capital and related financing activities:			
Proceeds from SRF Loan	-	2,820,099	-
Acquisition and construction of capital assets	(155,721)	(2,748,077)	(4,523)
Principal paid on capital debt	-	(252,000)	(305,000)
Interest paid on capital debt	-	(116,681)	(61,398)
Bond issue costs paid	-	(73,424)	-
Receipts for construction-related receivables	<u>-</u>	<u>9,780</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(155,721)</u>	<u>(360,303)</u>	<u>(370,921)</u>
Cash flows from investing activities:			
Interest received	<u>802</u>	<u>6,264</u>	<u>1,145</u>
Net increase (decrease) in cash and cash equivalents	(257,853)	301,124	21,619
Cash and cash equivalents, January 1	<u>596,960</u>	<u>684,300</u>	<u>796,132</u>
Cash and cash equivalents, December 31	<u>\$ 339,107</u>	<u>\$ 985,424</u>	<u>\$ 817,751</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	<u>\$ (211,041)</u>	<u>\$ 443,161</u>	<u>\$ 305,710</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	113,435	214,292	83,545
(Increase) decrease in assets:			
Accounts receivable	1,007	(761)	1,640
Inventories	(5,796)	-	-
Prepaid items	(1,251)	(1,251)	(592)
Increase (decrease) in liabilities:			
Accounts payable	1,713	483	1,829
Wages payable	(358)	(493)	(45)
Taxes payable	(40)	-	-
Compensated absences payable	<u>(603)</u>	<u>(268)</u>	<u>(692)</u>
Total adjustments	<u>108,107</u>	<u>212,002</u>	<u>85,685</u>
Net cash provided (used) by operating activities	<u>\$ (102,934)</u>	<u>\$ 655,163</u>	<u>\$ 391,395</u>
Noncash investing, capital and financing activities:			
Capital assets acquired through accounts payable	\$ -	\$ -	\$ 1,985

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, 2015

	Water Utility	Wastewater Utility	Storm Water Utility
Cash flows from operating activities:			
Receipts from customers and users	\$ 629,454	\$ 1,299,929	\$ 566,707
Payments to suppliers and contractors	(326,000)	(196,505)	(63,110)
Payments to employees	(249,874)	(195,498)	(99,829)
Net cash provided by operating activities	<u>53,580</u>	<u>907,926</u>	<u>403,768</u>
Cash flows from noncapital financing activities:			
Interfund loans	-	-	(1,000)
Cash flows from capital and related financing activities:			
Proceeds from SRF Loan	-	4,990,161	-
Acquisition and construction of capital assets	(37,750)	(5,026,702)	(5,491)
Principal paid on capital debt	-	(385,000)	(315,000)
Interest paid on capital debt	-	(209,358)	(48,998)
Receipts for construction-related receivables	-	39,681	-
Net cash used by capital and related financing activities	<u>(37,750)</u>	<u>(591,218)</u>	<u>(369,489)</u>
Cash flows from investing activities:			
Interest received	582	22,654	1,164
Net increase in cash and cash equivalents	16,412	339,362	34,443
Cash and cash equivalents, January 1	<u>339,107</u>	<u>985,424</u>	<u>817,751</u>
Cash and cash equivalents, December 31	<u>\$ 355,519</u>	<u>\$ 1,324,786</u>	<u>\$ 852,194</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (27,235)	\$ 687,970	\$ 322,075
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	114,286	218,812	82,293
(Increase) decrease in assets:			
Accounts receivable	2,571	1,936	(255)
Inventories	(36,934)	-	-
Prepaid items	(1,058)	(1,058)	(1,214)
Increase (decrease) in liabilities:			
Accounts payable	(254)	(402)	580
Wages payable	(90)	95	(9)
Taxes payable	(39)	-	-
Compensated absences payable	2,333	573	298
Total adjustments	<u>80,815</u>	<u>219,956</u>	<u>81,693</u>
Net cash provided (used) by operating activities	<u>\$ 53,580</u>	<u>\$ 907,926</u>	<u>\$ 403,768</u>
Noncash investing, capital and financing activities:			
Capital assets acquired through contracts payable	\$ -	\$ 333,868	\$ -

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

CITY OF BERNE MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the City of Berne Municipal Utilities and are not intended to present fairly the financial position of the City of Berne (City) and the results of its operations and cash flows of its enterprise funds. 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 activity are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

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

State statute (IC 5-13-9) authorizes the 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.

At December 31, 2015, the financial statements report restricted net assets of Water Utility \$210,319, Wastewater Utility \$938,287 and Storm Water Utility \$622,112.

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%
Storm sewers	1,000	Composite rate	2%
Machinery and equipment	1,000	Composite rate	5%
Transportation equipment	1,000	Straight-line	10 years

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

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

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

5. Compensated Absences

- a. Leave Time - Utility employees earn leave time at the rate of ten days per year. Unused leave time may be accumulated to a maximum of thirty days. Accumulated leave time is paid to employees upon termination. Leave time can be used for illness or other reasons, but a maximum of three days may be used in any month for leave not due to illness.
- b. Vacation Leave - Utility employees earn vacation leave at rates from five days to twenty 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 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.

7. Change in Accounting Principle

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflow of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). The implementation of GASB 65 resulted in the write-off of bond issuance costs and the effect of adoption of GASB 65 is the reduction of beginning net position by \$88,123 for the Wastewater Utility and \$61,437 for the Storm Water Utility.

II. Detailed Notes on All Funds

A. Deposits and Investments

1. 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, 2015, the Utilities had deposit balances in the amount of \$2,532,499 as follows: Water Utility \$355,519, Wastewater Utility \$1,324,786 and Storm Water Utility \$852,194.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

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

B. Capital Assets

Capital asset activity for the years ended December 31, 2013, 2014 and 2015, were as follows:

<u>2013</u>	<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
Capital assets, being depreciated:				
Buildings	2,806,608	12,212	-	2,818,820
Improvements other than buildings	1,657,199	21,238	-	1,678,437
Machinery and equipment	266,589	72,239	-	338,828
Transportation equipment	<u>73,347</u>	<u>-</u>	<u>-</u>	<u>73,347</u>
Totals	<u>4,803,743</u>	<u>105,689</u>	<u>-</u>	<u>4,909,432</u>
Less accumulated depreciation for:				
Buildings	(1,035,620)	(56,376)	-	(1,091,996)
Improvements other than buildings	(1,106,859)	(27,827)	-	(1,134,686)
Machinery and equipment	(192,836)	(16,942)	-	(209,778)
Transportation equipment	<u>(19,628)</u>	<u>(6,535)</u>	<u>-</u>	<u>(26,163)</u>
Totals	<u>(2,354,943)</u>	<u>(107,680)</u>	<u>-</u>	<u>(2,462,623)</u>
Total capital assets, being depreciated, net	<u>2,448,800</u>	<u>(1,991)</u>	<u>-</u>	<u>2,446,809</u>
Total capital assets, net	<u>\$ 2,518,478</u>	<u>\$ (1,991)</u>	<u>\$ -</u>	<u>\$ 2,516,487</u>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 54,850	\$ -	\$ -	\$ 54,850
Construction in progress	<u>28,500</u>	<u>141,744</u>	<u>-</u>	<u>170,244</u>
Total capital assets, not being depreciated	<u>83,350</u>	<u>141,744</u>	<u>-</u>	<u>225,094</u>
Capital assets, being depreciated:				
Buildings	2,711,764	-	-	2,711,764
Improvements other than buildings	6,555,105	-	-	6,555,105
Machinery and equipment	530,065	5,258	-	535,323
Transportation equipment	<u>42,370</u>	<u>-</u>	<u>-</u>	<u>42,370</u>
Totals	<u>9,839,304</u>	<u>5,258</u>	<u>-</u>	<u>9,844,562</u>
Less accumulated depreciation for:				
Buildings	(1,286,521)	(54,235)	-	(1,340,756)
Improvements other than buildings	(721,519)	(65,551)	-	(787,070)
Machinery and equipment	(293,506)	(26,767)	-	(320,273)
Transportation equipment	<u>(10,702)</u>	<u>(2,117)</u>	<u>-</u>	<u>(12,819)</u>
Totals	<u>(2,312,248)</u>	<u>(148,670)</u>	<u>-</u>	<u>(2,460,918)</u>
Total capital assets, being depreciated, net	<u>7,527,056</u>	<u>(143,412)</u>	<u>-</u>	<u>7,383,644</u>
Total capital assets, net	<u>\$ 7,610,406</u>	<u>\$ (1,668)</u>	<u>\$ -</u>	<u>\$ 7,608,738</u>

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

<u>2013</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Storm Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 211,298	\$ -	\$ -	\$ 211,298
Capital assets, being depreciated:				
Improvements other than buildings	1,307,990	-	-	1,307,990
Storm sewers	2,024,265	32,348	-	2,056,613
Machinery and equipment	233,909	5,257	-	239,166
Transportation equipment	27,236	-	-	27,236
Totals	<u>3,593,400</u>	<u>37,605</u>	<u>-</u>	<u>3,631,005</u>
Less accumulated depreciation for:				
Improvements other than buildings	(109,400)	(26,807)	-	(136,207)
Storm sewers	(162,941)	(40,485)	-	(203,426)
Machinery and equipment	(76,169)	(11,958)	-	(88,127)
Transportation equipment	-	(1,362)	-	(1,362)
Totals	<u>(348,510)</u>	<u>(80,612)</u>	<u>-</u>	<u>(429,122)</u>
Total capital assets, being depreciated, net	<u>3,244,890</u>	<u>(43,007)</u>	<u>-</u>	<u>3,201,883</u>
Total capital assets, net	<u>\$ 3,456,188</u>	<u>\$ (43,007)</u>	<u>\$ -</u>	<u>\$ 3,413,181</u>
<u>2014</u>	<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
Capital assets, being depreciated:				
Buildings	2,818,820	-	-	2,818,820
Improvements other than buildings	1,678,437	20,528	-	1,698,965
Machinery and equipment	338,828	28,068	-	366,896
Transportation equipment	73,347	39,795	-	113,142
Totals	<u>4,909,432</u>	<u>88,391</u>	<u>-</u>	<u>4,997,823</u>
Less accumulated depreciation for:				
Buildings	(1,091,996)	(56,376)	-	(1,148,372)
Improvements other than buildings	(1,134,686)	(28,200)	-	(1,162,886)
Machinery and equipment	(209,778)	(18,344)	-	(228,122)
Transportation equipment	(26,163)	(10,515)	-	(36,678)
Totals	<u>(2,462,623)</u>	<u>(113,435)</u>	<u>-</u>	<u>(2,576,058)</u>
Total capital assets, being depreciated, net	<u>2,446,809</u>	<u>(25,044)</u>	<u>-</u>	<u>2,421,765</u>
Total capital assets, net	<u>\$ 2,516,487</u>	<u>\$ (25,044)</u>	<u>\$ -</u>	<u>\$ 2,491,443</u>

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

<u>2014</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 54,850	\$ -	\$ -	\$ 54,850
Construction in progress	<u>170,244</u>	<u>2,709,402</u>	<u>-</u>	<u>2,879,646</u>
Total capital assets, not being depreciated	<u>225,094</u>	<u>2,709,402</u>	<u>-</u>	<u>2,934,496</u>
Capital assets, being depreciated:				
Buildings	2,711,764	-	-	2,711,764
Improvements other than buildings	6,555,105	-	-	6,555,105
Machinery and equipment	535,323	1,402	-	536,725
Transportation equipment	<u>42,370</u>	<u>-</u>	<u>-</u>	<u>42,370</u>
Totals	<u>9,844,562</u>	<u>1,402</u>	<u>-</u>	<u>9,845,964</u>
Less accumulated depreciation for:				
Buildings	(1,340,756)	(54,235)	-	(1,394,991)
Improvements other than buildings	(787,070)	(131,102)	-	(918,172)
Machinery and equipment	(320,273)	(26,838)	-	(347,111)
Transportation equipment	<u>(12,819)</u>	<u>(2,117)</u>	<u>-</u>	<u>(14,936)</u>
Totals	<u>(2,460,918)</u>	<u>(214,292)</u>	<u>-</u>	<u>(2,675,210)</u>
Total capital assets, being depreciated, net	<u>7,383,644</u>	<u>(212,890)</u>	<u>-</u>	<u>7,170,754</u>
Total capital assets, net	<u>\$ 7,608,738</u>	<u>\$ 2,496,512</u>	<u>\$ -</u>	<u>\$ 10,105,250</u>
Storm Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 211,298	\$ -	\$ -	\$ 211,298
Capital assets, being depreciated:				
Improvements other than buildings	1,307,990	-	-	1,307,990
Storm sewers	2,056,613	1,985	-	2,058,598
Machinery and equipment	239,166	4,173	-	243,339
Transportation equipment	<u>27,236</u>	<u>-</u>	<u>-</u>	<u>27,236</u>
Totals	<u>3,631,005</u>	<u>6,158</u>	<u>-</u>	<u>3,637,163</u>
Less accumulated depreciation for:				
Improvements other than buildings	(136,207)	(26,160)	-	(162,367)
Storm sewers	(203,426)	(41,132)	-	(244,558)
Machinery and equipment	(88,127)	(12,167)	-	(100,294)
Transportation equipment	<u>(1,362)</u>	<u>(4,086)</u>	<u>-</u>	<u>(5,448)</u>
Totals	<u>(429,122)</u>	<u>(83,545)</u>	<u>-</u>	<u>(512,667)</u>
Total capital assets, being depreciated, net	<u>3,201,883</u>	<u>(77,387)</u>	<u>-</u>	<u>3,124,496</u>
Total capital assets, net	<u>\$ 3,413,181</u>	<u>\$ (77,387)</u>	<u>\$ -</u>	<u>\$ 3,335,794</u>

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

<u>2015</u>	<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
Capital assets, being depreciated:				
Buildings	2,818,820	34,565	-	2,853,385
Improvements other than buildings	1,698,965	-	-	1,698,965
Machinery and equipment	366,896	3,185	-	370,081
Transportation equipment	113,142	-	-	113,142
Totals	<u>4,997,823</u>	<u>37,750</u>	<u>-</u>	<u>5,035,573</u>
Less accumulated depreciation for:				
Buildings	(1,148,372)	(57,069)	-	(1,205,441)
Improvements other than buildings	(1,162,886)	(28,199)	-	(1,191,085)
Machinery and equipment	(228,122)	(18,504)	-	(246,626)
Transportation equipment	(36,678)	(10,514)	-	(47,192)
Totals	<u>(2,576,058)</u>	<u>(114,286)</u>	<u>-</u>	<u>(2,690,344)</u>
Total capital assets, being depreciated, net	<u>2,421,765</u>	<u>(76,536)</u>	<u>-</u>	<u>2,345,229</u>
Total capital assets, net	<u>\$ 2,491,443</u>	<u>\$ (76,536)</u>	<u>\$ -</u>	<u>\$ 2,414,907</u>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 54,850	\$ -	\$ -	\$ 54,850
Construction in progress	2,879,646	5,324,028	-	8,203,674
Total capital assets, not being depreciated	<u>2,934,496</u>	<u>5,324,028</u>	<u>-</u>	<u>8,258,524</u>
Capital assets, being depreciated:				
Buildings	2,711,764	-	-	2,711,764
Improvements other than buildings	6,555,105	-	-	6,555,105
Machinery and equipment	536,725	10,295	14,755	532,265
Transportation equipment	42,370	26,247	-	68,617
Totals	<u>9,845,964</u>	<u>36,542</u>	<u>14,755</u>	<u>9,867,751</u>
Less accumulated depreciation for:				
Buildings	(1,394,991)	(54,235)	-	(1,449,226)
Improvements other than buildings	(918,172)	(131,102)	-	(1,049,274)
Machinery and equipment	(347,111)	(26,613)	(14,755)	(358,969)
Transportation equipment	(14,936)	(6,862)	-	(21,798)
Totals	<u>(2,675,210)</u>	<u>(218,812)</u>	<u>(14,755)</u>	<u>(2,879,267)</u>
Total capital assets, being depreciated, net	<u>7,170,754</u>	<u>(182,270)</u>	<u>-</u>	<u>6,988,484</u>
Total capital assets, net	<u>\$ 10,105,250</u>	<u>\$ 5,141,758</u>	<u>\$ -</u>	<u>\$ 15,247,008</u>

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

<u>2015</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Storm Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 211,298	\$ -	\$ -	\$ 211,298
Capital assets, being depreciated:				
Improvements other than buildings	1,307,990	-	-	1,307,990
Storm sewers	2,058,598	3,506	-	2,062,104
Machinery and equipment	243,339	-	-	243,339
Transportation equipment	27,236	-	-	27,236
Totals	<u>3,637,163</u>	<u>3,506</u>	<u>-</u>	<u>3,640,669</u>
Less accumulated depreciation for:				
Improvements other than buildings	(162,367)	(26,160)	-	(188,527)
Storm sewers	(244,558)	(41,242)	-	(285,800)
Machinery and equipment	(100,294)	(12,167)	-	(112,461)
Transportation equipment	(5,448)	(2,724)	-	(8,172)
Totals	<u>(512,667)</u>	<u>(82,293)</u>	<u>-</u>	<u>(594,960)</u>
Total capital assets, being depreciated, net	<u>3,124,496</u>	<u>(78,787)</u>	<u>-</u>	<u>3,045,709</u>
Total capital assets, net	<u>\$ 3,335,794</u>	<u>\$ (78,787)</u>	<u>\$ -</u>	<u>\$ 3,257,007</u>

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Water	\$ 107,680	\$ 113,435	\$ 114,286
Wastewater	148,670	214,292	218,812
Storm Water	<u>80,612</u>	<u>83,545</u>	<u>82,293</u>
Total depreciation expense	<u>\$ 336,962</u>	<u>\$ 411,272</u>	<u>\$ 415,391</u>

C. Construction Commitments

Construction work in progress is composed of the following:

	<u>2015</u>		
<u>Project</u>	<u>Total Project Authorized</u>	<u>Expended to December 31,</u>	<u>Committed</u>
Wastewater Utility:			
Plant Upgrade	<u>\$ 8,205,006</u>	<u>\$ 8,203,674</u>	<u>\$ 1,332</u>

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

D. Interfund Balances and Activity

Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2015, is as follows:

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Water Utility	Wastewater Utility	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>
Storm Water Utility	City of Berne (Park Department)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000</u>

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

E. Intergovernmental Loans Receivable

A loan agreement was entered into in 2014 with the Town of Monroe for \$987,285 for their share of the Wastewater Utility plant upgrade. The loan is for 20 years and is to be paid in full on October 21, 2034.

F. Long-Term Liabilities

1. Revenue Bonds

The Utilities issue bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Balance at December 31</u>	<u>Plus: Unamortized Premium</u>	<u>Amount</u>	<u>Deferred Outflows: Deferral on Refunding</u>
<u>2013</u>					
2011 Wastewater refunding bonds	3.57%	\$ 672,000	\$ 23,444	\$ 695,444	\$ 17,487
2006 Storm Water revenue bonds	4% to 4.15%	<u>1,665,000</u>	<u>-</u>	<u>1,665,000</u>	<u>-</u>
Totals		<u>\$ 2,337,000</u>	<u>\$ 23,444</u>	<u>\$ 2,360,444</u>	<u>\$ 17,487</u>
<u>2014</u>					
2011 Wastewater refunding bonds	3.57%	\$ 488,000	\$ 16,582	\$ 504,582	\$ 12,369
2006 Storm Water revenue bonds	4% to 4.15%	<u>1,360,000</u>	<u>-</u>	<u>1,360,000</u>	<u>-</u>
Totals		<u>\$ 1,848,000</u>	<u>\$ 16,582</u>	<u>\$ 1,864,582</u>	<u>\$ 12,369</u>
<u>2015</u>					
2011 Wastewater refunding bonds	3.57%	\$ 298,000	\$ 9,720	\$ 307,720	\$ 7,251
2006 Storm Water revenue bonds	4% to 4.15%	<u>1,045,000</u>	<u>-</u>	<u>1,045,000</u>	<u>-</u>
Totals		<u>\$ 1,343,000</u>	<u>\$ 9,720</u>	<u>\$ 1,352,720</u>	<u>\$ 7,251</u>

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

Revenue bonds debt service requirements to maturity are as follows:

	<u>Wastewater Utility</u>		<u>Storm Water Utility</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 197,000	\$ 8,892	\$ 330,000	\$ 36,098
2017	101,000	1,803	350,000	22,323
2018	<u>-</u>	<u>-</u>	<u>365,000</u>	<u>7,574</u>
Totals	<u>\$ 298,000</u>	<u>\$ 10,695</u>	<u>\$ 1,045,000</u>	<u>\$ 65,994</u>

2. Loans Payable

The Wastewater Utility has entered into a loan. Annual debt service requirements to maturity for the loan, including interest of \$2,589,370, are as follows:

	<u>Principal</u>	<u>Interest</u>
2016	\$ 200,000	\$ 252,453
2017	308,000	247,252
2018	421,000	237,613
2019	435,000	223,668
2020	449,000	209,232
2021-2025	2,481,000	811,368
2026-2030	2,827,000	464,343
2031-2035	<u>2,699,260</u>	<u>143,441</u>
Total	<u>\$ 9,820,260</u>	<u>\$ 2,589,370</u>

3. Changes in Long-Term Liabilities

Long-term liability activity for the years ended December 31, 2013, 2014 and 2015, was as follows:

<u>2013</u>	<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	\$ 849,000	\$ -	\$ 177,000	\$ 672,000	\$ 184,000
Loan payable	<u>2,317,000</u>	<u>-</u>	<u>44,000</u>	<u>2,273,000</u>	<u>68,000</u>
Total Wastewater Utility	<u>\$ 3,166,000</u>	<u>\$ -</u>	<u>\$ 221,000</u>	<u>\$ 2,945,000</u>	<u>\$ 252,000</u>
Storm Water Utility:					
Revenue bonds payable	<u>\$ 1,955,000</u>	<u>\$ -</u>	<u>\$ 290,000</u>	<u>\$ 1,665,000</u>	<u>\$ 305,000</u>

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

<u>2014</u>	<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	\$ 672,000	\$ -	\$ 184,000	\$ 488,000	\$ 190,000
Loan payable	<u>2,273,000</u>	<u>2,820,099</u>	<u>68,000</u>	<u>5,025,099</u>	<u>195,000</u>
Total Wastewater Utility	<u>\$ 2,945,000</u>	<u>\$ 2,820,099</u>	<u>\$ 252,000</u>	<u>\$ 5,513,099</u>	<u>\$ 385,000</u>
Storm Water Utility:					
Revenue bonds payable	<u>\$ 1,665,000</u>	<u>\$ -</u>	<u>\$ 305,000</u>	<u>\$ 1,360,000</u>	<u>\$ 315,000</u>
<u>2015</u>	<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	\$ 488,000	\$ -	\$ 190,000	\$ 298,000	\$ 197,000
Loan payable	<u>5,025,099</u>	<u>4,990,161</u>	<u>195,000</u>	<u>9,820,260</u>	<u>200,000</u>
Total Wastewater Utility	<u>\$ 5,513,099</u>	<u>\$ 4,990,161</u>	<u>\$ 385,000</u>	<u>\$ 10,118,260</u>	<u>\$ 397,000</u>
Storm Water Utility:					
Revenue bonds payable	<u>\$ 1,360,000</u>	<u>\$ -</u>	<u>\$ 315,000</u>	<u>\$ 1,045,000</u>	<u>\$ 330,000</u>

G. Restricted Assets

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

<u>2013</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Storm Water Utility</u>
Depreciation	\$ 193,638	\$ 184,289	\$ -
Bond and interest	40,954	29,897	198,107
Construction	-	4,911	40,011
Reserve	<u>-</u>	<u>348,897</u>	<u>372,919</u>
Total restricted assets	<u>\$ 234,592</u>	<u>\$ 567,994</u>	<u>\$ 611,037</u>
<u>2014</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Storm Water Utility</u>
Depreciation	\$ 183,439	\$ 199,652	\$ -
Bond and interest	-	113,130	202,924
Construction	-	4,161	39,511
Reserve	<u>-</u>	<u>380,878</u>	<u>372,919</u>
Total restricted assets	<u>\$ 183,439</u>	<u>\$ 697,821</u>	<u>\$ 615,354</u>

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

<u>2015</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Storm Water Utility</u>
Depreciation	\$ 210,319	\$ 311,104	\$ -
Bond and interest	-	180,359	210,057
Construction	-	2,138	39,136
Reserve	-	444,686	372,919
	<u> </u>	<u> </u>	<u> </u>
Total restricted assets	<u>\$ 210,319</u>	<u>\$ 938,287</u>	<u>\$ 622,112</u>

H. Revenues Pledged

Wastewater Utility Revenues Pledged

The Utility has pledged future operating revenues, net of specified operating expenditures, to repay a state revolving fund loans issued in 2008 and 2014 and revenue bonds issued in 2011. Proceeds from the loans provided financing to pay for the north sewer interceptor separation and the treatment plant upgrade. Proceeds from the bonds provided financing refunding of a prior bond issue. This debt is payable solely from utility revenues and is payable through 2035. Annual principal and interest payments are expected to require less than 71 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 92 percent of net operating revenues.

III. Other Information

A. Risk Management

The Utilities are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Rate Structure

1. Water Utility

The current rate structure was approved by City Council on October 9, 2012. The Utility has 1,578 customers.

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

2. Wastewater Utility

The current rate structure was approved by the City Council on June 23, 2014. The Utility has 1,586 customers.

3. Storm Water Utility

The current rate structure was approved by the City Council on July 24, 2006. The Utility has 1,372 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. On July 1, 2013, PERF changed from an agent multiple-employer to a cost-sharing multiple-employer retirement plan. 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 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.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

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

Funding Policy

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

OTHER REPORTS

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