

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

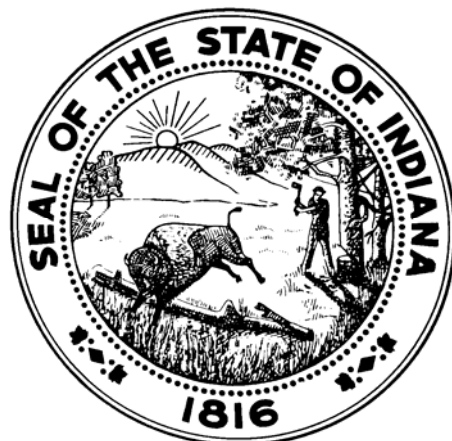
EXAMINATION REPORT

OF

CITY OF BERNE

ADAMS COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED

10/10/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Gwendolyn J. Maller	01-01-04 to 12-31-07
Mayor	John F. Minch	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	John F. Minch	01-01-04 to 12-31-07
President of the Common Council	William F. McKean	01-01-06 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the City of Berne, for the period of January 1, 2006 to December 31, 2006. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

August 27, 2007

CITY OF BERNE
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 855,271	\$ 1,678,683	\$ 1,862,507	\$ 671,447
Motor Vehicle Highway	252,587	376,350	356,179	272,758
Local Road and Street	15,946	19,289	-	35,235
Law Enforcement Continuing Education	3,118	2,520	1,299	4,339
Sidewalk Match	52,448	15,129	5,597	61,980
Tree	240	-	-	240
Citizens Sewer Compliance	4,667	24,253	22,686	6,234
BRC Bond and Interest	54,625	64,491	56,925	62,191
Cumulative Capital Improvement	55,240	17,895	-	73,135
Cumulative Capital Development	281,054	70,253	160,186	191,121
Economic Development Income Tax	17,838	199,092	200,010	16,920
BRC Operating	1,747	86	-	1,833
Levy Excess	5,300	-	5,300	-
Proprietary Funds:				
Water Utility - Operating	859,148	479,658	469,223	869,583
Water Utility - Bond and Interest	36,831	1,459	-	38,290
Water Utility - Reserve	-	500,000	500,000	-
Water Utility - Depreciation	1,007,247	73,571	500,000	580,818
Wastewater Utility - Operating	37,833	492,429	505,913	24,349
Wastewater Utility - Bond and Interest	23,115	195,867	194,718	24,264
Wastewater Utility - Depreciation	189,580	30,541	12,387	207,734
Wastewater Utility - Construction	248,276	6,246	160,367	94,155
Wastewater Utility - Reserve	209,621	6,171	7,098	208,694
Storm Water Utility - Operating	314,971	627,583	805,534	137,020
Storm Water Utility - Bond and Interest	-	113,829	43,850	69,979
Storm Water Utility - Construction	-	3,451,499	791,209	2,660,290
Storm Water Utility - Reserve	-	347,150	-	347,150
Fiduciary Funds:				
Police Training Donations	2,498	-	1,560	938
Donation	9,755	44,570	40,552	13,773
BRC Reserve	109,673	5,736	-	115,409
Payroll Withholdings	9,603	984,423	984,276	9,750
Police Officers' Pension	83,324	12,972	16,395	79,901
Totals	<u>\$ 4,741,556</u>	<u>\$ 9,841,745</u>	<u>\$ 7,703,771</u>	<u>\$ 6,879,530</u>

The accompanying notes are an integral part of the financial information.

CITY OF BERNE
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, planning and zoning, general administrative services. water, wastewater and storm water.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. 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% 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 become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF BERNE
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF 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% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

Note 7. Subsequent Event

At December 31, 2006, the City had drawn down \$122,000 of a \$300,000 line of credit. The balance of the line of credit was drawn and used in 2007. The loan is payable in seven annual payments of \$55,028.32 beginning December 31, 2007. The purpose of this loan was to fund the construction of the Police/EMS building.

CITY OF BERNE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

December 31, 2006

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.

General infrastructure assets completed in the current year have been reported.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 232,180
Buildings	2,167,845
Improvements other than buildings	774,163
Machinery and equipment	1,991,765
Construction in progress	<u>616,295</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 5,782,248</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 69,678
Capital assets, being depreciated:	
Buildings	1,510,521
Improvements other than buildings	1,613,140
Machinery and equipment	<u>329,277</u>
Total Water Utility capital assets	<u>3,522,616</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	54,850
Construction in progress	174,036
Capital assets, being depreciated:	
Buildings	2,709,074
Improvements other than buildings	3,008,475
Machinery and equipment	<u>398,091</u>
Total Wastewater Utility capital assets	<u>6,344,526</u>
Storm Water Utility:	
Capital assets, not being depreciated:	
Construction in progress	784,114
Capital assets, being depreciated:	
Machinery and equipment	<u>230,309</u>
Total Storm Water Utility capital assets	<u>1,014,423</u>
Total business-type activities capital assets	<u>\$ 10,881,565</u>

CITY OF BERNE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Notes and loans payable		
2006 EMS Police Bldg	\$ 122,000	\$ 122,000
Bonds payable:		
2006 TIF Bonds	1,035,000	-
Contracts payable	74,000	37,000
Total governmental activities long-term debt	\$ 1,231,000	\$ 159,000
Business-type Activities:		
Wastewater Utility		
Revenue bonds of 1997	\$ 1,665,000	\$ 115,000
Storm Water Utility:		
Revenue bonds of 2006	3,440,000	220,000
Total business-type activities long-term debt:	\$ 5,105,000	\$ 335,000

CITY OF BERNE
EXIT CONFERENCE

The contents of this report were discussed on August 27, 2007, with Gwendolyn J. Maller, Clerk-Treasurer; and John F. Minch, Mayor. Our examination disclosed no material items that warrant comment at this time.