

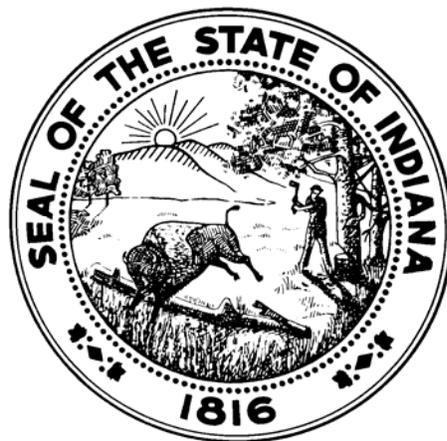
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

ANNUAL FINANCIAL REPORT

2005

CITY OF ANGOLA

STEBEN COUNTY, INDIANA



FILED
09/20/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Debra A. Twitchell	01-01-04 to 12-31-07
Mayor	Richard M. Hickman	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Richard M. Hickman	01-01-05 to 12-31-06
President of the Common Council	Richard M. Hickman	01-01-05 to 12-31-06
Superintendent of Water Utility	Daniel D. Olis	01-01-05 to 12-31-06
Superintendent of Wastewater Utility	Michael P. Keleman Craig Williams	01-01-05 to 12-31-05 01-01-06 to 12-31-06
Commissioner of Street Department	Douglas E. Anderson	01-01-05 to 12-31-06



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF ANGOLA, STEUBEN COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Angola (City), as of and for the year ended December 31, 2005, which collectively comprise the City's primary government basic financial statements. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, Schedules of Funding Progress, Schedules of Contributions From the Employer and Other Contributing Entities and Budgetary Comparison Schedules as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

STATE BOARD OF ACCOUNTS

August 22, 2006

**CITY OF ANGOLA, INDIANA
OFFICE OF THE CLERK-TREASURER**



**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2005**

As fiscal officer for the City of Angola (City), the Office of Clerk-Treasurer offers the following discussion and analysis as insight into the financial position and performance of the City for the fiscal year ended December 31, 2005.

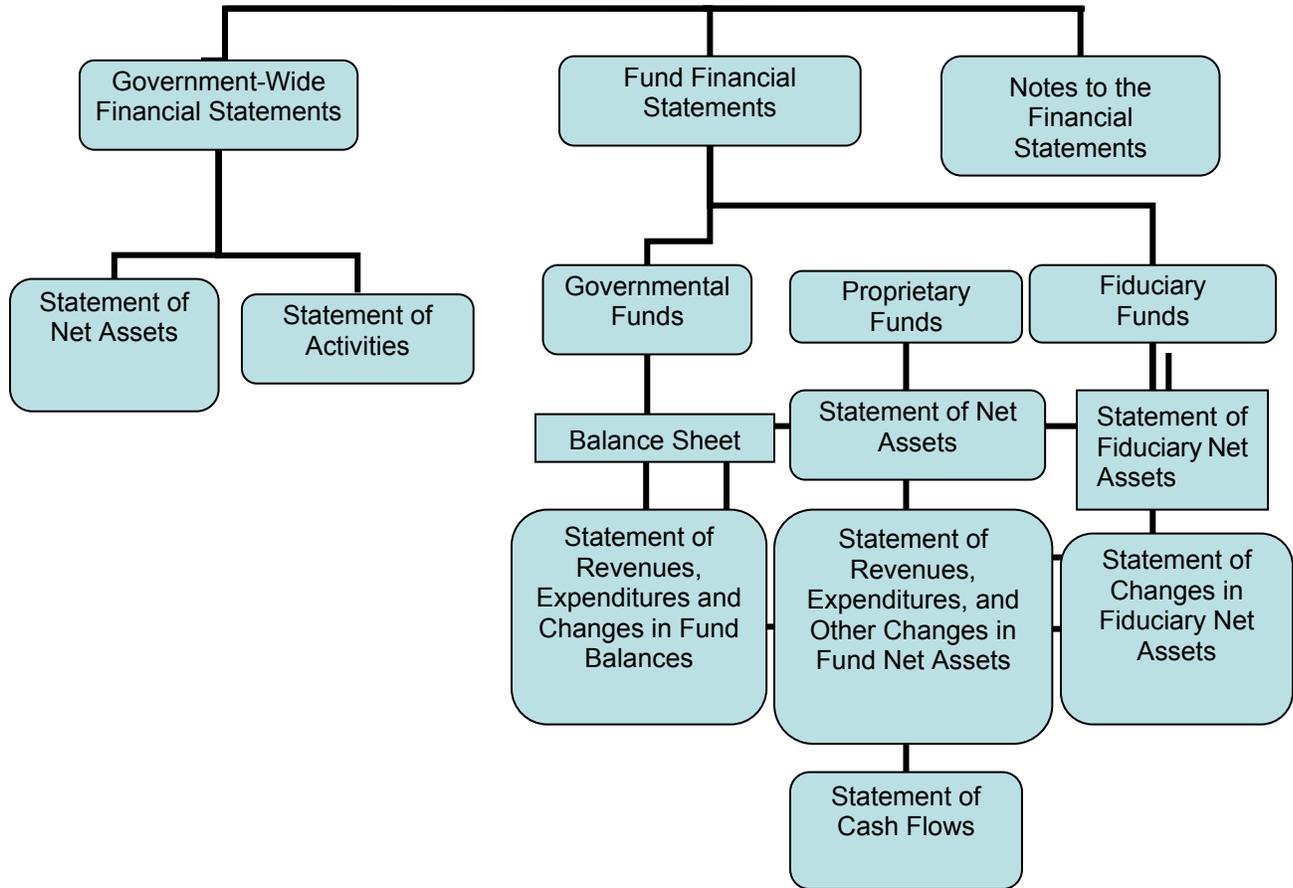
FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the end of 2005 by \$31.6 million. Of this amount, \$3.1 million is considered unrestricted. The unrestricted net assets of the City's governmental activities are \$2.3 million and will be used to support the City's day-to-day operations. The unrestricted net assets of the City's business-type activities are \$800,000 and will be used to support the day-to-day operations of the City's water and wastewater activities.
- The City's total net assets increased \$1.8 million in 2005. The net assets of the City's business-type activities increased \$958 thousand (or 6 percent). The net assets of the City's governmental activities increased \$838 thousand (or 6 percent).
- At the end of 2005, the City's governmental funds reported a combined ending fund balance of \$3.3 million. The combined governmental funds' fund balance increased by \$187 thousand from the prior year's ending fund balance. All of the fund balance is considered unreserved at December 31, 2005.
- At the end of 2005, unreserved fund balance for the general fund was \$1.9 million or 47 percent of the 2005 general fund expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

The following information is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

FINANCIAL STATEMENTS



Government-wide financial statements: The government-wide financial statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting, in a manner similar to private-sector businesses. The government-wide financial statements are composed of two statements: the statement of net assets and the statement of activities.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Net assets are then broken down between governmental and business-type activities. Over time, increases or decreases in net assets will show fluctuation in the City's financial position.

The statement of activities presents information on all of the City's revenues and expenses, showing how the government's general expenses less the program revenues equal net expenses for the most recent fiscal year. General revenues are then subtracted from net expenses to get the change in net assets. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid. Thus, revenue and expenses are reported in this statement for some items will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, stormwater, and culture and recreation. The business-type activities of the City include a water and wastewater system.

Fund financial statements: The City maintains its accounts in accordance with the Indiana Code on a fund basis. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, with its related liabilities, and corresponding equity balances. Some funds are required to be established by State Law and by bond covenants, while others are adopted to help control monies set aside for a specific purpose. The City of Angola, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting for governmental activities are maintained on a modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds: Governmental funds are used to account for most of the City's basic services. These funds generally do not provide enough revenue to completely cover their expenses; therefore, they need taxes, fees, interest or any other intergovernmental revenue to help support them. These funds use the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental fund financial statements focus on near-term inflows and outflows of unrestricted resources, as well as balances of unrestricted resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds: When the City charges a fee to cover the entire cost of an operation, whether to outside customers or to other units of the City, these services are generally classified as a proprietary fund. There are two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. These funds are completely self-supported by providing services to outside customers of the City. The City uses enterprise funds to account for its water and wastewater utilities. Internal Service funds are used to report activities that provide services and supplies for the other City departments. The City uses internal service funds to account for its group health insurance. The internal service funds are reported within the governmental activities section of the government-wide financial statements.

Fiduciary funds: Fiduciary funds are funds held by a governmental unit as an agent or a trustee. They are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City holds two types of fiduciary funds: pension trust funds and agency funds. Pension trust funds are used to account for pension plans held by the City on behalf of its employees. The City uses pension trust funds to report the police pension. Agency funds are used to account for monies held by the City for an external party.

Notes to the financial statements: The notes are a required part of the basic financial statements that provide necessary information for the understanding of the City's financial report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison schedules for general and major special revenue funds.

Net Assets						
	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Current assets	3942943	3745146	3380237	3683372	7323180	7428518
Capital assets	12056761	11830251	23564763	22519180	35621524	34349431
Total assets	15999704	15575397	26945000	26202552	42944704	41777949
Current Liabilities	190129	585836	273287	588699	463416	1174535
Noncurrent liabilities	32794	50321	10848283	10748400	10881077	10798721
Total Liabilities	222923	636157	11121570	11337099	11344493	11973256
Net assets	15776781	14939240	15823430	14865453	31600211	29804693
Invested in capital assets, net of related debt	12056761	11830251	12508571	11381076	24565332	23211327
Restricted	1401455	1939528	2519843		3921298	1939528
Unrestricted	2318565	1169461	795016	3484377	3113581	4653838
Total net assets	15776781	14939240	15107930	14865453	31600211	29804693

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's (primary government) assets exceeded liabilities by \$31.6 million at the close of 2005.

Of the City's net assets (total assets less total liabilities), \$24.5 million (or 78 percent), the largest portion reflects its investment in capital assets (e.g., land, roads, buildings and improvements, machinery and equipment, and construction in progress), less any outstanding debt used to acquire these assets. These assets are designated as invested in capital assets because they are used to provide the everyday services the citizens of the City expect, these assets are not liquid and are not available for future spending. The debt associated with these capital assets must be paid from sources other than the capital assets themselves because, as stated before, they cannot be used as a liquid asset.

The remainders of the City's net assets are designated as either restricted or unrestricted. The restricted portion of \$3.9 million (or 12 percent) is dollars that are subject to an external restriction and cannot be expended on everyday operations. The unrestricted portion of \$3.1 million (or 10 percent) may be used by the City for normal operations of providing services to the citizens of Angola.

At the end of 2005, the City shows a positive net asset figure as a whole as well as in the governmental and business-type activities sections individually. This shows that the City has been able to make sound financial decisions over the past several years leaving them with a solid equity base to build on.

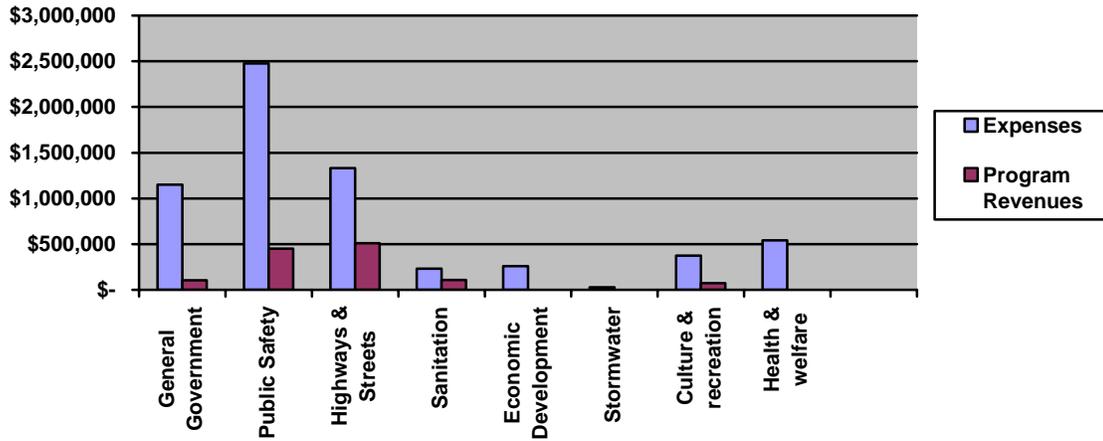
The City's net assets increased by \$1.8 million during 2005. There was an increase in the City's net asset figure for the business-type activities of \$958 thousand and a net increase for the governmental activities of \$838 thousand.

Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	594,576	692,132	3,768,724	3,446,834	4,363,300	4,138,966
Operating grants and contributions	73,778	337,076	-	-	73,778	337,076
Capital grants and contributions	572,710	160,678	767,024	192,312	1,339,734	352,990
General revenues:					-	
Property taxes	4,744,205	3,735,253	-	-	4,744,205	3,735,253
CEDIT	288,651	319,436	-	-	288,651	319,436
Other taxes	380,455	2,282,731	-	-	380,455	2,282,731
Licenses and permits	23,432	-	-	-	23,432	-
Other	496,834	536,387	-	-	496,834	536,387
Unrestricted investment earnings	61,228	29,661	102,685	31,614	163,913	61,275
Total revenues	7,235,869	8,093,354	4,638,433	3,670,760	11,874,302	11,764,114
Expenses:						
General government	1,152,635	1,271,477	-	-	1,152,635	1,271,477
Public safety	2,476,284	2,272,531	-	-	2,476,284	2,272,531
Highways and streets	1,332,964	1,045,617	-	-	1,332,964	1,045,617
Sanitation	230,897	206,224	-	-	230,897	206,224
Economic development	260,933	65,897	-	-	260,933	65,897
Stormwater	27,361	32,189	-	-	27,361	32,189
Culture and recreation	376,220	454,194	-	-	376,220	454,194
Health and welfare	541,034	465,918	-	-	541,034	465,918
Water	-	-	1,416,423	1,314,224	1,416,423	1,314,224
Wastewater	-	-	2,264,033	2,041,774	2,264,033	2,041,774
Total expenses	6,398,328	5,814,047	3,680,456	3,355,998	10,078,784	9,170,045
Increase (Decrease) in net assets	837,541	2,279,307	957,977	314,762	1,795,518	2,594,069
Net assets - January 1st	13,300,152	11,020,845	15,083,351	14,768,589	28,383,503	25,789,434
Prior period adjustments	1,639,088	-	(217,898)	-	1,421,190	-
Net assets - December 31st	15,776,781	13,300,152	15,823,430	15,083,351	31,600,211	28,383,503

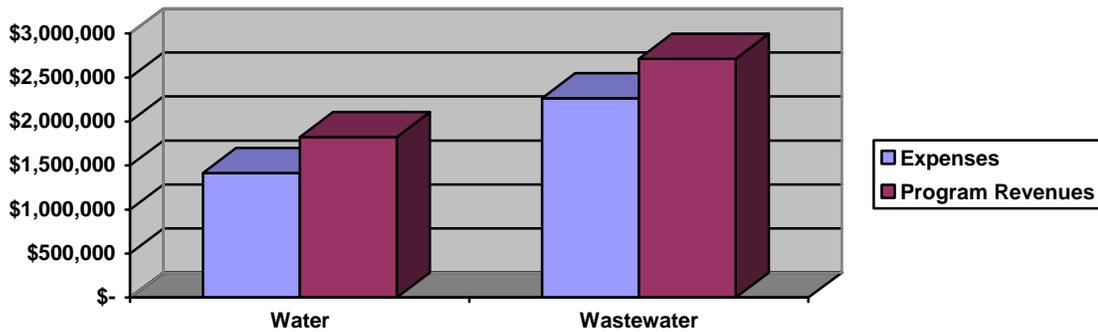
Governmental Activities: Of the increase in the City's net assets the governmental activities is responsible for a \$838 thousand increase in the total growth in net assets. Key elements of this increase are shown above. Below is a graph which provides a comparison of the governmental activities program revenues and expenses.

Expenses and Program Revenues - Governmental Activities



Business-type Activities: The business-type activities of the City increased net assets by \$958 thousand or 6 percent of the total increase in net assets of \$1.8 million. Below is a graph showing the business-type activities revenue and expense comparisons.

Expenses and Program Revenues - Business-Type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The City's fund financial statements use modified accrual accounting providing information on near-term inflows, outflows, and balances of available resources. This provides the reader with useful information regarding the City's financial position. The unreserved fund balance of the City's governmental funds gives good insight into its ability to meet current obligations as well as meet the City's ongoing service needs.

At the end of 2005, the City's governmental funds reported combined ending fund balances of \$3.3 million, an increase of \$187 thousand in comparison with the prior year. Of that total about \$3.3 million (or 100 percent) is unreserved fund balance of the City's governmental funds gives good insight into its ability to meet current obligations as well as meet the City's ongoing service needs. The following is a look into some of the funds that make up the governmental funds.

General Fund:

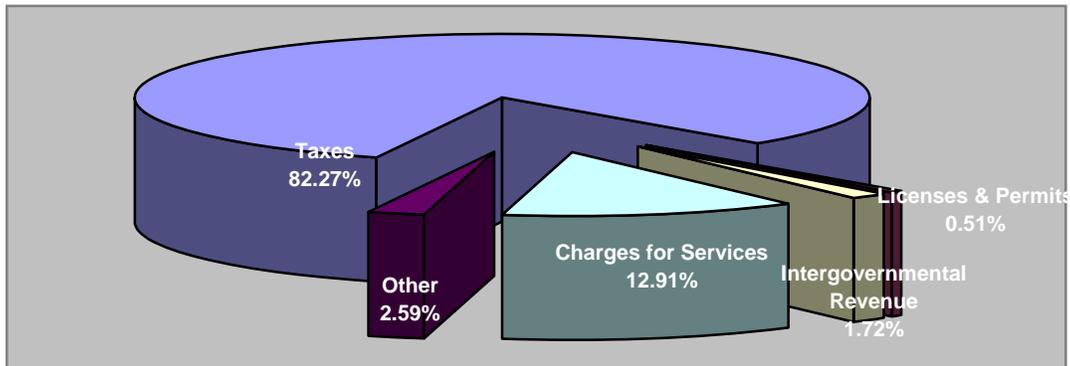
The General Fund is the City's operating fund and is used to budget and account for all revenues and expenditures relative to the basic operations and programs of the City. Disbursements from this fund may be made for items associated with the daily operation of the City.

The fund balance of the general fund at the close of the year was \$2 million. In 2006, the following expenditures of \$25 thousand and greater are budgeted. The following schedule highlights these expenditures:

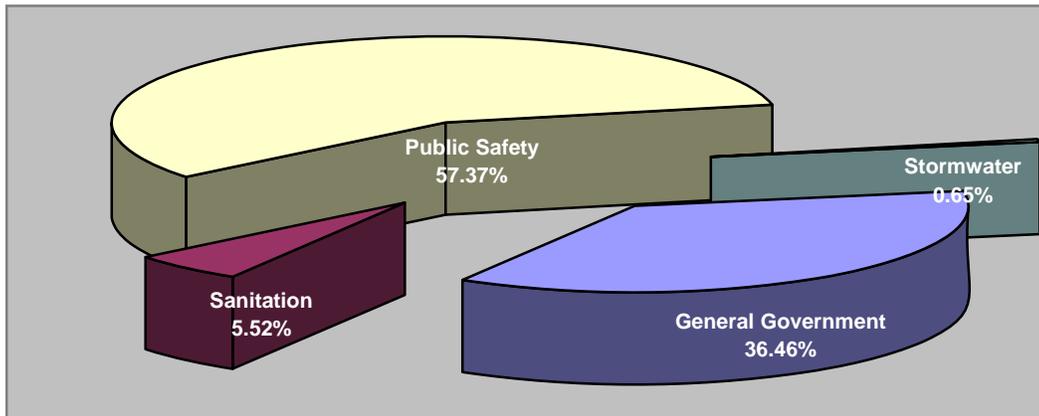
<u>Department</u>	<u>Amount</u>	<u>Description</u>
Council	552,500	Trailway Project ROW acquisition, construction, & engineering
Information Technology	59,400	Various department equipment and software
City Hall	50,000	Telephone system
Municipal Building	50,000	Telephone system
Fire	62,000	Replace one vehicle
Police	25,000	Replace one police car

The total General Fund revenues for the fiscal year ended December 31, 2005, were \$4.4 million. The total expenditures were \$4.1 million. The following charts present a summary of General Fund revenues by source and expenditures by major function for the year ended December 31, 2005:

General Fund Revenue



General Fund Expenditures



Highway and Streets Fund:

The fund balance at the close of the year was \$449 thousand, a decrease of \$70 thousand. Revenues during the year were \$935 thousand and expenditures were \$1.0 million. In 2006, \$95,000 is budgeted for a mini-excavator and attachments.

Parks Fund:

The fund balance decreased by \$103 thousand during 2005, leaving a balance of \$207 thousand at year end. Expenditures during the year were \$528 thousand and revenues were \$426 thousand. \$30 thousand is budgeted in 2006 to add restrooms, a fireplace, and a parking lot for the Selman Timberframe Pavilion.

CEDIT (County Economic Development Income Tax) Fund:

During 2005, revenues to the CEDIT Fund amounted to \$288 thousand and expenditures amounted to \$261 thousand. This left a fund balance of \$545 thousand in the CEDIT fund at year end, which was an increase of \$28 thousand. Of this amount, the City plans to fund various projects throughout 2006. \$150 thousand will be used to fund an infrastructure master plan for streets, water, and sewer. The new industrial park bond principal and interest payments total \$210 thousand. \$42 thousand will be used to support the Steuben County Economic Development Corporation. The addition of one tornado siren and upgrade of the Public Safety Building siren will cost \$26 thousand.

In reviewing the business-type activities, the following changes were observed.

Water:

Net assets at December 31, 2005 totaled \$5 million. Of this amount, \$3.7 million is invested in capital assets, and \$300 thousand is unrestricted and available to fund the day-to-day operations of the water utility. In 2006, the City has planned various items to be expended from this fund. Those include the purchase of meters totaling \$30 thousand and painting and repair of the Calvary Lane tower for \$180 thousand.

Wastewater:

Total net assets amounted to \$10.7 million at the end of 2005. The unrestricted amount of the net assets is \$365 thousand and \$8.8 million is invested in capital assets. \$98 thousand is set aside for sewer and manhole repairs, \$30 thousand for the purchase of meters, and \$25 thousand to add a service pickup truck.

BUDGET PROCESS

All budgetary information is prepared on a cash basis. Reconciliation from cash basis to GAAP basis is presented in the Required Supplemental Information. The City prepares an annual budget of revenues and expenditures for specific funds of the City for use by City officials and department heads. The budget is initially prepared by the Mayor, approved by the Common Council, and is subsequently approved by the Department of Local Government Finance (DGLF). Budget modifications, if required, are made at various review levels based on the laws of the State of Indiana. The differences between the original adopted budgets and the final amended budgets were immaterial. The City's most significant budgeted fund is the General Fund.

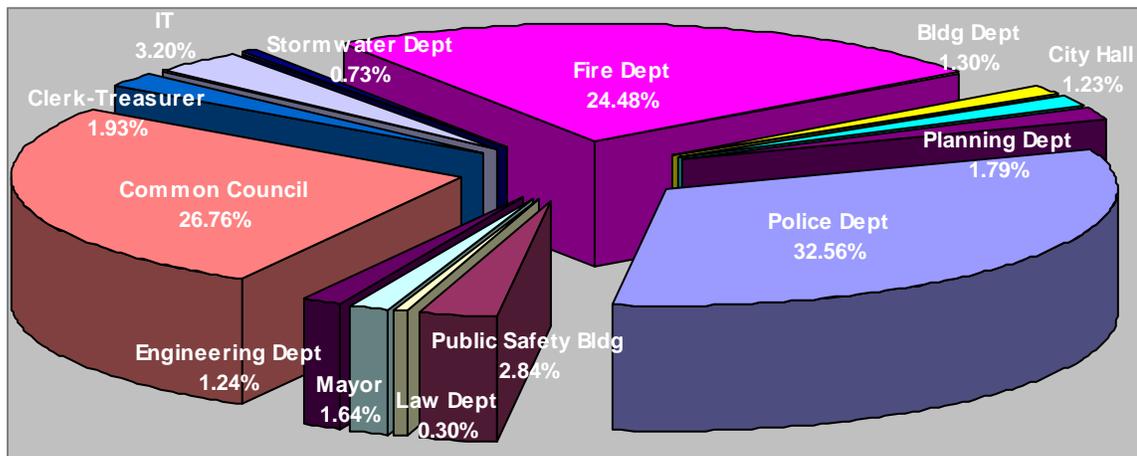
The following schedule is a comparison of the adjusted 2005 budget and the actual expenditures as of December 31, 2005:

2005 Budget Comparison				
<u>Fund</u>	<u>Approved 2005 Budget</u>	<u>Final 2005 Budget*</u>	<u>Actual Expenditures</u>	<u>Variance Positive/ (Negative)</u>
General	4,647,300	4,965,568	4,668,469	297,099
Highways and Streets	1,128,200	1,507,053	1,398,232	108,821
Parks	470,100	730,400	718,208	12,192
CEDIT	<u>477,000</u>	<u>577,000</u>	<u>262,273</u>	<u>314,727</u>
Totals	6,722,600	7,780,021	7,047,182	732,839

*Includes prior years encumbrances and 2005 adjustments, additional appropriations, and appropriation reductions.

The following chart shows a percentage comparison of general fund department budgets as of December 31, 2005:

2005 General Fund Budget



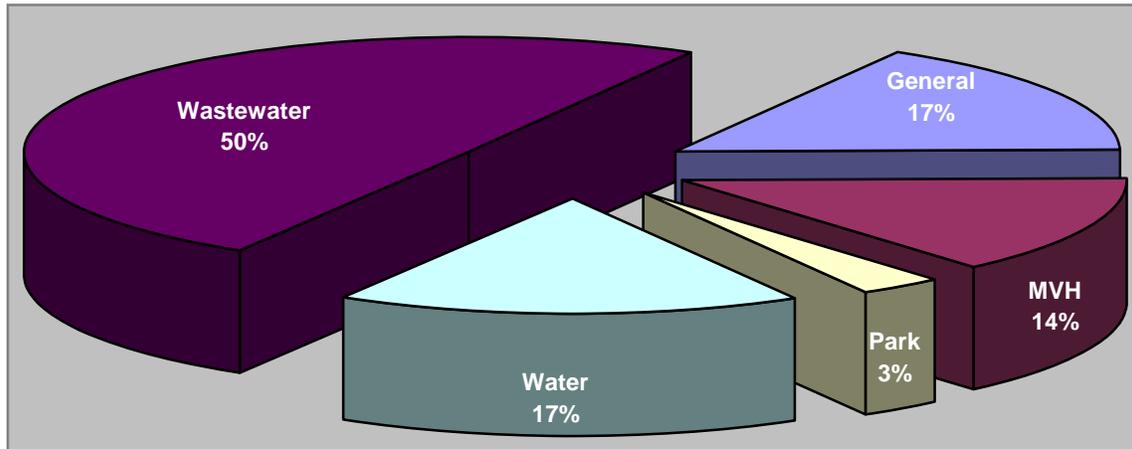
CAPITAL ASSETS

As of December 31, 2005, the City had invested \$35.6 million in capital assets, including land, buildings, infrastructure, and machinery and equipment. This amount represents an increase of approximately \$1.3 million or 3.5 percent (.5 percent increase for governmental activities and 3.0 percent increase for business-type activities). The following schedule presents gross and net capital asset balances for 2005.

	Governmental Activities	Business-Type Activities	Totals
	2005	2005	2005
Land	1,669,800	83,158	1,752,958
Construction in Progress	1,262,110	617,414	1,879,524
Buildings	3,639,485	9,125,335	12,764,820
Improvements other than buildings	561,617	8,328,222	8,889,839
Infrastructure	5,350,032	13,905,914	19,255,946
Machinery and equipment	4,219,666	1,597,376	5,817,042
Total Gross Capital Assets	16,702,710	33,657,419	50,360,129
Less Accumulated Depreciation	4,645,949	10,092,656	14,738,605
Total Net Capital Assets	12,056,761	23,564,763	35,621,524

The following graph shows the portion of capital assets that correspond with various funds as of December 31, 2005:

Capital Assets by Fund



See note III, B in the attached financial statements for additional information.

DEBT ADMINISTRATION

As of December 31, 2005, the City's outstanding debt consisted of the following:

- Water Utility
- Wastewater Utility

During the year, these business-type activities made principal payments of \$500 thousand and interest payments of \$465 thousand. These payment amounts include the issuance and retirement of bonds.

See Note III, E in the attached financial statements for additional information.

POTENTIALLY SIGNIFICANT MATTERS

- The City is located in Steuben County. The Indiana Toll Road crosses the northern part of Steuben County. The State of Indiana leased the Indiana Toll Road (I80/90) to a private consortium. From that lease, the City anticipates receiving \$3.9 million in September 2006 as part of the Local Major Moves Construction Fund distribution. Money in the fund may be expended for construction of highways and roads; provide funding for economic development projects; matching federal grants; and, interlocal agreements.
- The City is self-insured in regards to medical insurance for City employees. The plan is administered by a third-party administrator. In 2007, the City anticipates a significant increase for claims funding.
- The Common Council adopted an ordinance to increase wastewater rates and charges by 3%. The increase is effective September 2006. The City annually monitors rates and charges to ensure that rates are adequate to operate and maintain the water and wastewater utilities and to avoid double-digit rate increases.
- The City was awarded a Community Development Block Grant Community Focus Fund grant in the amount of \$525,000 for the Water Treatment Plant Improvements project.
- Significant projects anticipated to be in progress or completed in 2007 are:
 - Construction of the Angola Trailway.
 - Preliminary engineering and right-of-way acquisition for the Wohlert Street Extension Project.
 - Upgrade of City telephone system.

- Complete the parking lots to the Selman Timberframe Pavilion in Commons Park.
- Construction of the Water Treatment Plant Improvements.
- Evaluate Infrastructure Master Plan and develop and implement action plan.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Angola finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

City of Angola
Office of the Clerk-Treasurer
210 N. Public Square
Angola, IN 46703-1960
Telephone 260.665.2514
Facsimile 260.665.9164
Email clerktreasurer@angolain.org

CITY OF ANGOLA
STATEMENT OF NET ASSETS
December 31, 2005

<u>Assets</u>	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 3,452,316	\$ 458,041	\$ 3,910,357
Receivables:			
Interest	6,387	3,541	9,928
Taxes	456,598	-	456,598
Accounts	1,612	29,032	30,644
Intergovernmental	8,746	-	8,746
Employer contributions	2,476	-	2,476
Inventories	12,518	107,176	119,694
Prepaid expense	2,290	5,655	7,945
Deferred debits	-	255,207	255,207
Restricted assets:			
Cash and cash equivalents	-	2,519,843	2,519,843
Interest receivable	-	1,742	1,742
Capital assets:			
Land, improvements and construction in progress	2,931,910	700,572	3,632,482
Other capital assets, net of depreciation	9,124,851	22,864,191	31,989,042
Total assets	15,999,704	26,945,000	42,944,704
 <u>Liabilities</u>			
Accounts payable	41,653	6,759	48,412
Accrued payroll and withholdings payable	93,303	42,500	135,803
Compensated absences	55,173	13,102	68,275
Taxes payable	-	5,067	5,067
Payable from restricted assets:			
Customer deposits	-	32,615	32,615
Contracts payable	-	4,346	4,346
Accrued bond interest	-	48,898	48,898
Revenue bonds - due within one year	-	120,000	120,000
Due in more than one year:			
Loan payable	-	3,745,000	3,745,000
Compensated absences	32,794	6,700	39,494
Revenue bonds payable (net of unamortized loss on refunding, discounts or premiums)	-	7,096,583	7,096,583
Total liabilities	222,923	11,121,570	11,344,493
 <u>Net Assets</u>			
Invested in capital assets, net of related debt	12,056,761	12,508,571	24,565,332
Restricted for:			
Public safety	35,560	-	35,560
Highways and streets	526,802	-	526,802
Economic development	590,807	-	590,807
Health and welfare	7,979	-	7,979
Culture and recreation	240,307	-	240,307
Debt service	-	1,038,870	1,038,870
Construction and improvements	-	1,448,358	1,448,358
Customer deposits	-	32,615	32,615
Unrestricted	2,318,565	795,016	3,113,581
Total net assets	\$ 15,776,781	\$ 15,823,430	\$ 31,600,211

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

CITY OF ANGOLA
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary government:							
Governmental activities:							
General government	\$ 1,152,635	\$ 33,101	\$ 69,667	\$ -	\$ (1,049,867)	\$ -	\$ (1,049,867)
Public safety	2,476,284	447,350	4,111	-	(2,024,823)	-	(2,024,823)
Highways and streets	1,332,964	535	-	508,438	(823,991)	-	(823,991)
Sanitation	230,897	106,241	-	-	(124,656)	-	(124,656)
Economic development	260,933	-	-	-	(260,933)	-	(260,933)
Health and welfare	541,034	-	-	-	(541,034)	-	(541,034)
Culture and recreation	376,220	7,349	-	64,272	(304,599)	-	(304,599)
Stormwater	27,361	-	-	-	(27,361)	-	(27,361)
Total governmental activities	<u>6,398,328</u>	<u>594,576</u>	<u>73,778</u>	<u>572,710</u>	<u>(5,157,264)</u>	<u>-</u>	<u>(5,157,264)</u>
Business-type activities:							
Water	1,416,423	1,627,169	-	194,983	-	405,729	405,729
Wastewater	2,264,033	2,141,555	-	572,041	-	449,563	449,563
Total business-type activities	<u>3,680,456</u>	<u>3,768,724</u>	<u>-</u>	<u>767,024</u>	<u>-</u>	<u>855,292</u>	<u>855,292</u>
Total primary government	<u>\$ 10,078,784</u>	<u>\$ 4,363,300</u>	<u>\$ 73,778</u>	<u>\$ 1,339,734</u>	<u>(5,157,264)</u>	<u>855,292</u>	<u>(4,301,972)</u>
General revenues:							
Property taxes					4,744,205	-	4,744,205
CEDIT					288,651	-	288,651
Other taxes					380,455	-	380,455
Licenses and permits					23,432	-	23,432
Other					496,834	-	496,834
Unrestricted investment earnings					61,228	102,685	163,913
Total general revenues					<u>5,994,805</u>	<u>102,685</u>	<u>6,097,490</u>
Change in net assets					837,541	957,977	1,795,518
Net assets - January 1					13,300,152	15,083,351	28,383,503
Prior period adjustment (see Note III. E)					1,639,088	(217,898)	1,421,190
Total net assets - restated					<u>14,939,240</u>	<u>14,865,453</u>	<u>29,804,693</u>
Net assets - ending					<u>\$ 15,776,781</u>	<u>\$ 15,823,430</u>	<u>\$ 31,600,211</u>

CITY OF ANGOLA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2005

<u>Assets</u>	<u>General</u>	<u>Highways and Streets</u>	<u>Parks</u>	<u>CEDIT</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Cash and cash equivalents	\$ 2,029,055	\$ 463,861	\$ 211,434	\$ 544,814	\$ 197,649	\$ 3,446,813
Receivables:						
Interest	6,387	-	-	-	-	6,387
Taxes	333,853	80,916	41,829	-	-	456,598
Accounts	1,612	-	-	-	-	1,612
Intergovernmental	4,635	-	-	-	4,111	8,746
Total assets	<u>\$ 2,375,542</u>	<u>\$ 544,777</u>	<u>\$ 253,263</u>	<u>\$ 544,814</u>	<u>\$ 201,760</u>	<u>\$ 3,920,156</u>
 <u>Liabilities and fund balances</u>						
Liabilities:						
Accounts payable	\$ 35,153	\$ 5,701	\$ 799	\$ -	\$ -	\$ 41,653
Accrued payroll and withholdings payable	71,735	14,817	6,751	-	-	93,303
Deferred revenue	309,538	75,023	38,782	-	-	423,343
Total liabilities	<u>416,426</u>	<u>95,541</u>	<u>46,332</u>	<u>-</u>	<u>-</u>	<u>558,299</u>
Unreserved, reported in:						
General fund	1,959,116	-	-	-	-	1,959,116
Special revenue funds	-	449,236	206,931	-	155,767	811,934
Capital projects funds	-	-	-	544,814	45,993	590,807
Total fund balances	<u>1,959,116</u>	<u>449,236</u>	<u>206,931</u>	<u>544,814</u>	<u>201,760</u>	<u>3,361,857</u>
Total liabilities and fund balances	<u>\$ 2,375,542</u>	<u>\$ 544,777</u>	<u>\$ 253,263</u>	<u>\$ 544,814</u>	<u>\$ 201,760</u>	<u>\$ 3,920,156</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances for governmental funds.	3,361,857
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,056,761
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	423,343
Other assets in the statement of activities are not available to pay for current-period expenditures and, therefore, are expensed in the funds.	14,808
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	7,979
Compensated absences payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(87,967)</u>
Net assets of governmental activities	<u>\$ 15,776,781</u>

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

CITY OF ANGOLA
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2005

	General	Highways and Streets	Parks	CEDIT	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 3,692,678	\$ 664,918	\$ 343,721	\$ -	\$ -	\$ 4,701,317
Licenses and permits	22,892	-	-	-	540	23,432
Intergovernmental	77,193	266,246	-	288,517	76,027	707,983
Charges for services	579,425	535	7,349	-	7,267	594,576
Fines and forfeits	-	800	-	-	-	800
Other	116,157	2,767	74,923	-	13,521	207,368
Total revenues	<u>4,488,345</u>	<u>935,266</u>	<u>425,993</u>	<u>288,517</u>	<u>97,355</u>	<u>6,235,476</u>
Expenditures:						
Current:						
General government	1,525,310	-	-	-	-	1,525,310
Public safety	2,400,445	-	-	-	11,875	2,412,320
Highways and streets	-	1,005,369	-	-	52,908	1,058,277
Sanitation	230,897	-	-	-	-	230,897
Economic development	-	-	-	260,933	-	260,933
Culture and recreation	-	-	528,481	-	4,554	533,035
Stormwater	27,361	-	-	-	-	27,361
Total expenditures	<u>4,184,013</u>	<u>1,005,369</u>	<u>528,481</u>	<u>260,933</u>	<u>69,337</u>	<u>6,048,133</u>
Excess (deficiency) of revenues over (under) expenditures	<u>304,332</u>	<u>(70,103)</u>	<u>(102,488)</u>	<u>27,584</u>	<u>28,018</u>	<u>187,343</u>
Fund balances - beginning	<u>1,654,784</u>	<u>519,339</u>	<u>309,419</u>	<u>517,230</u>	<u>173,742</u>	<u>3,174,514</u>
Fund balances - ending	<u>\$ 1,959,116</u>	<u>\$ 449,236</u>	<u>\$ 206,931</u>	<u>\$ 544,814</u>	<u>\$ 201,760</u>	<u>\$ 3,361,857</u>

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

CITY OF ANGOLA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (Statement of Revenues, Expenditures and Changes in Fund Balances).	\$ 187,343
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciated expense. This is the amount by which capital outlays exceeded depreciation in the current period.	241,714
Governmental funds report inventory as expenditures. However, in the statement of activities inventories are recorded as expenditures when consumed rather than purchased.	12,518
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.	2,290
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	423,343
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(37,646)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities.	<u>7,979</u>
Change in net assets of governmental activities (statement of activities)	<u>\$ 837,541</u>

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

CITY OF ANGOLA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2005

<u>Assets</u>	<u>Business-Type Activities - Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Total</u>	
Current assets:				
Cash and cash equivalents	\$ 272,331	\$ 185,710	\$ 458,041	\$ 5,503
Interest receivable	1,721	1,820	3,541	-
Accounts receivables	15,991	13,041	29,032	2,476
Inventories	98,814	8,362	107,176	-
Prepaid items	2,727	2,928	5,655	-
Total current assets	391,584	211,861	603,445	7,979
Noncurrent assets:				
Restricted cash, cash equivalents and investments:				
Customer deposits	32,615	-	32,615	-
Revenue bond covenant accounts	318,760	720,110	1,038,870	-
Construction and improvements accounts	610,993	837,365	1,448,358	-
Interest receivable	412	1,330	1,742	-
Total restricted assets	962,780	1,558,805	2,521,585	-
Deferred charges	58,963	196,244	255,207	-
Capital assets:				
Land, improvements to land and construction in progress	64,656	635,916	700,572	-
Other capital assets (net of accumulated depreciation)	6,157,680	16,706,511	22,864,191	-
Total capital assets	6,222,336	17,342,427	23,564,763	-
Total noncurrent assets	7,244,079	19,097,476	26,341,555	-
Total assets	7,635,663	19,309,337	26,945,000	7,979
Liabilities				
Current liabilities:				
Accounts payable	3,524	3,235	6,759	-
Taxes payable	5,067	-	5,067	-
Wages payable	17,984	24,516	42,500	-
Compensated absences	4,920	8,182	13,102	-
Current liabilities payable from restricted assets:				
Customer deposits	32,615	-	32,615	-
Contracts payable	-	4,346	4,346	-
Revenue bonds payable	120,000	-	120,000	-
Accrued interest payable	48,898	-	48,898	-
Total current liabilities	233,008	40,279	273,287	-
Noncurrent liabilities:				
Revenue bonds payable (net of unamortized loss on refunding, discounts or premiums)	2,349,342	4,747,241	7,096,583	-
Loan payable	-	3,745,000	3,745,000	-
Compensated absences	3,058	3,642	6,700	-
Total noncurrent liabilities	2,352,400	8,495,883	10,848,283	-
Total liabilities	2,585,408	8,536,162	11,121,570	-
Net Assets				
Invested in capital assets, net of related debt	3,752,994	8,850,186	12,603,180	-
Restricted for debt service	318,760	720,110	1,038,870	-
Restricted for construction and improvements	610,993	837,365	1,448,358	-
Restricted for customer deposits	32,615	-	32,615	-
Unrestricted	334,893	365,514	700,407	7,979
Total net assets	\$ 5,050,255	\$ 10,773,175	\$ 15,823,430	\$ 7,979

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

CITY OF ANGOLA
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For The Year Ended December 31, 2005

	Enterprise Funds			Internal Service Fund
	Water Utility	Wastewater Utility	Total	
Operating revenues:				
Metered water revenue	\$ 1,157,725	\$ -	\$ 1,157,725	\$ -
Measured revenue:				
Wastewater	-	1,864,374	1,864,374	-
Stormwater	-	143,647	143,647	-
Fire protection revenue	379,468	-	379,468	-
Penalties	7,399	31,540	38,939	-
Tap fees revenue	54,818	70,610	125,428	-
Assessments	-	-	-	565,766
Other	27,759	31,384	59,143	-
	<u>1,627,169</u>	<u>2,141,555</u>	<u>3,768,724</u>	<u>565,766</u>
Total operating revenues				
Operating expenses:				
Source of supply and expense - operations and maintenance	121,097	-	121,097	-
Water treatment expense - operations and maintenance	227,611	-	227,611	-
Transmission and distribution	260,721	-	260,721	-
Collection system - operations and maintenance	-	154,509	154,509	-
Pumping - operations and maintenance	-	144,383	144,383	-
Treatment and disposal expense - operations and maintenance	-	432,526	432,526	-
Customer accounts	59,947	61,502	121,449	-
Administration and general	308,275	245,307	553,582	-
Miscellaneous expenses	22,438	19,235	41,673	-
Sludge removal	-	115,503	115,503	-
Depreciation	271,361	702,578	973,939	-
Insurance claims and premiums	-	-	-	541,034
	<u>1,271,450</u>	<u>1,875,543</u>	<u>3,146,993</u>	<u>541,034</u>
Total operating expenses				
Operating income	<u>355,719</u>	<u>266,012</u>	<u>621,731</u>	<u>24,732</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	27,843	74,842	102,685	-
Interest expense	(122,995)	(346,844)	(469,839)	-
Miscellaneous expense	(21,978)	(41,646)	(63,624)	-
	<u>(117,130)</u>	<u>(313,648)</u>	<u>(430,778)</u>	<u>-</u>
Total nonoperating expenses				
Income (loss) before contributions	238,589	(47,636)	190,953	24,732
Capital contributions	<u>194,983</u>	<u>572,041</u>	<u>767,024</u>	<u>-</u>
Change in net assets	433,572	524,405	957,977	24,732
Total net assets - beginning	4,675,557	10,407,794	15,083,351	(16,753)
Net prior period adjustment (see Note III. F)	<u>(58,874)</u>	<u>(159,024)</u>	<u>(217,898)</u>	<u>-</u>
Total beginning net assets - restated	<u>4,616,683</u>	<u>10,248,770</u>	<u>14,865,453</u>	<u>(16,753)</u>
Total net assets - ending	<u>\$ 5,050,255</u>	<u>\$ 10,773,175</u>	<u>\$ 15,823,430</u>	<u>\$ 7,979</u>

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

CITY OF ANGOLA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2005

	Enterprise Funds			Internal Service Fund
	Water Utility	Wastewater Utility	Total	
Cash flows from operating activities:				
Receipts from customers and users	\$ 1,628,852	\$ 2,155,565	\$ 3,784,417	\$ -
Receipts from interfund services provided	-	-	-	563,290
Payments to suppliers	(437,190)	(504,044)	(941,234)	-
Payments to employees	(586,962)	(666,371)	(1,253,333)	-
Payments for interfund services used	-	-	-	(564,699)
Net cash provided by operating activities	<u>604,700</u>	<u>985,150</u>	<u>1,589,850</u>	<u>(1,409)</u>
Cash flows from noncapital financing activities:				
Transfer from other funds	<u>200,000</u>	<u>218,405</u>	<u>418,405</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Proceeds from capital debt	-	315,461	315,461	-
Acquisition and construction of capital assets	(55,838)	(1,285,083)	(1,340,921)	-
Principal paid on capital debt	(115,000)	(385,000)	(500,000)	-
Interest paid on capital debt	(124,418)	(346,944)	(471,362)	-
Net cash used by capital and related financing activities	<u>(295,256)</u>	<u>(1,701,566)</u>	<u>(1,996,822)</u>	<u>-</u>
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	201,907	1,678,165	1,880,072	-
Interest received	<u>27,094</u>	<u>73,530</u>	<u>100,624</u>	<u>-</u>
Net cash provided by investing activities	<u>229,001</u>	<u>1,751,695</u>	<u>1,980,696</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	738,445	1,253,684	1,992,129	(1,409)
Cash and cash equivalents, January 1 (Including \$260,091 and \$307,761 for the construction and maintenance of capital assets, retirement of debt, and customer deposits, respectively, reported in restricted accounts)				
	<u>496,254</u>	<u>489,501</u>	<u>985,755</u>	<u>6,912</u>
Cash and cash equivalents, December 31 (Including \$962,368 and \$1,557,475 for the construction and maintenance of capital assets, retirement of debt, and customer deposits, respectively, reported in restricted accounts)				
	<u>\$ 1,234,699</u>	<u>\$ 1,743,185</u>	<u>\$ 2,977,884</u>	<u>\$ 5,503</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	<u>\$ 355,719</u>	<u>\$ 266,012</u>	<u>\$ 621,731</u>	<u>\$ 24,732</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	271,361	702,578	973,939	-
(Increase) decrease in assets:				
Accounts receivable	1,683	14,010	15,693	-
Inventories	(29,070)	(4,839)	(33,909)	-
Prepaid items	677	476	1,153	-
Increase (decrease) in liabilities:				
Customer deposits	935	-	935	-
Accounts payable	1,807	572	2,379	-
Wages payable	(650)	3,663	3,013	-
Taxes payable	410	-	410	-
Compensated absence payable	1,828	2,678	4,506	-
Interfund services provided and used	-	-	-	(26,141)
Total adjustments	<u>248,981</u>	<u>719,138</u>	<u>968,119</u>	<u>(26,141)</u>
Net cash provided (used) by operating activities	<u>\$ 604,700</u>	<u>\$ 985,150</u>	<u>\$ 1,589,850</u>	<u>\$ (1,409)</u>
Noncash investing, capital and financing activities:				
Contributions of capital assets from private sources	\$ 194,983	\$ 572,041	\$ 767,024	\$ -
Capital assets financed through debt	-	315,461	315,461	-

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

CITY OF ANGOLA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2005

<u>Assets</u>	<u>1925 Police Pension Fund</u>	<u>Agency Funds</u>
Cash and cash equivalents	\$ 76,843	\$ 102,940
Receivables:		
Taxes	7,447	-
Investments at fair value:		
other governments	<u>76,838</u>	<u>-</u>
 Total assets	 <u>161,128</u>	 <u>\$ 102,940</u>
 <u>Liabilities</u>		
Benefits payable	7,738	\$ -
Deferred revenue	6,905	-
Accounts payable	<u>-</u>	<u>102,940</u>
 Total liabilities	 <u>14,643</u>	 <u>\$ 102,940</u>
 <u>Net Assets</u>		
Held in trust for:		
Employees' pension benefits and other purposes	<u>146,485</u>	
 Total net assets	 <u>\$ 146,485</u>	

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

CITY OF ANGOLA
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 For The Year Ended December 31, 2005

<u>Additions</u>	<u>1925 Police Pension Fund</u>
Contributions:	
Taxes	\$ 96,112
Intergovernmental	<u>97,306</u>
Total contributions	<u>193,418</u>
Investment income:	
Interest	<u>5,974</u>
Total additions	<u>199,392</u>
<u>Deductions</u>	
Benefits	<u>209,302</u>
Changes in net assets	(9,910)
Net assets - beginning	<u>271,663</u>
Net assets - ending	<u><u>\$ 261,753</u></u>

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

CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Angola (primary government) was established under the laws of the State of Indiana. The primary government operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, and urban redevelopment and housing.

The accompanying financial statements present the activities of the primary government. There are no significant component units which require inclusion.

Related Organizations

The primary government's officials are also responsible for appointing the members of the boards of other organizations, but the primary government's accountability for these organizations does not extend beyond making the appointments. The primary government appoints the board members of the Angola Council on Aging, Angola Housing Authority, Northeast Indiana Solid Waste Management District Citizens Advisory Committee, Steuben County Alcoholic Beverage Commission, and the Steuben County Innkeepers Tax Commission.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the primary government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the primary government receives cash.

The primary government reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The highways and streets fund (special revenue) accounts for the financial resources and expenses for construction, operation and maintenance of local and arterial roads and street systems. The motor vehicle highway and local roads and streets funds have been combined to form the highways and streets fund.

The parks fund (special revenue) accounts for the financial resources and expenses for the construction, operation and maintenance of the City's park system. The park and recreation general, donation, and park nonreverting funds have been combined to form the parks fund.

The CEDIT fund (capital projects) accounts for all financial resources and expenses or projects related to the county economic development income tax (CEDIT).

The primary government reports the following major proprietary funds:

The water utility fund accounts for the operation of the primary government's water distribution system.

The wastewater utility fund accounts for the operation of the primary government's wastewater treatment plant, pumping stations and collection systems.

CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Additionally, the primary government reports the following fund types:

The internal service fund (proprietary) accounts for the activities of the self-insurance fund which accumulates resources for health benefit claims payments.

The pension trust fund (fiduciary) accounts for the activities of the 1925 police pension fund which accumulates resources for pension benefit payments.

Agency funds (fiduciary) account for assets held by the primary government as an agent for the escrow fund and the payroll withholdings fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The primary government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the between the government's water, and wastewater functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the primary government's policy 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 primary government's 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.

CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Debt securities are reported at fair value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency.

Open-end mutual funds are reported at fair value.

Money market investments that mature within one year or less at the date of their acquisition are reported at amortized cost. Other money market investments are reported at fair value.

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

2. Interfund Transactions and Balances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund receivables/payables (i.e., the current and noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "interfund services provided/used." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the primary government in June and in December. State statutes (IC 6-1.1-17-16) require 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 that become delinquent if not paid by May 10 and November 10, respectively. The 2005 property tax revenues not received at year end were reported as taxes receivable. Delinquent property taxes outstanding at year end for governmental and/or proprietary funds, net of allowances for uncollectible accounts, are recorded as a receivable with an offset to deferred revenue since the amounts are not considered available.

4. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of government-wide financial statements are recorded as expenditures when consumed rather than when purchased.

CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

5. 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 assets balance sheet because they are maintained separately and their use is limited by ordinance or applicable bond covenants.

6. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide 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 reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and improvements	\$ 1,000	Straight-line	10 to 100 yrs.
Equipment	1,000	Straight-line	5 to 50 yrs.
Infrastructure	1,000	Straight-line	10 to 100 yrs.
Water collection systems	1,000	Straight-line	10 to 100 yrs.
Wastewater distribution and collection systems	1,000	Straight-line	10 to 100 yrs.

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.

7. Compensated Absences

- a. Sick Leave – primary government employees earn sick leave at the rate of 1 day per month. Unused sick leave may be accumulated to a maximum of 45 days. Accumulated sick leave is paid to employees through cash payments upon termination.
- b. Vacation Leave – primary government employees earn vacation leave at rates from 5 days to 25 days per year based upon the number of years of service. Vacation leave does not accumulate beyond the employees' anniversary date. Accumulated vacation leave is paid to employees through cash payments upon termination.

CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

- c. Personal Leave – primary government employees earn personal leave at the rate of 2 days per year. Personal leave does not accumulate from year to year.

Vacation and sick leave is accrued when incurred in the proprietary funds and reported as a fund liability. Vacation and sick leave is accrued for employees of governmental funds in the government-wide statements. The major governmental and proprietary funds are primarily used to liquidate the liability for compensated absences.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Gain and/or loss on refunding, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable gain and/or loss on refunding and bond premium and/or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis which is not consistent with accounting principles generally accepted in the United States. All annual appropriations lapse at fiscal year end.

On or before August 31, the City Clerk-Treasurer submits to the Common Council a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the Common Council to obtain taxpayer comments. In September of each year, the Common Council through the passage of an ordinance approves the budget for the next year. Copies of the budget ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the City Clerk-Treasurer receives approval of the Indiana Department of Local Government Finance.

CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

The primary government's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the Common Council. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

Expenditures did not exceed appropriations for any funds or any departments within the General Fund, which required legally, approved budgets.

III. Detailed Notes on All Funds

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. At December 31, 2005, the bank balance held at Wells Fargo Bank, NA in the amount of \$2,171,121 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-City's name. The remaining 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.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of June 30, 2005, the City had the following investments:

Investment Type	Fair Value	Investment Maturities (In Years)		Duration
		Less Than 1 Year	1-2 Years	
Repurchase agreement	\$ 2,171,121	\$ 2,171,121	\$ -	\$ -
Pension relief investment pool	53,787	-	-	3.6

Investment Policies

Indiana Code 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the City and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise; or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments. At December 31, 2005, the City held investments in Wells Fargo Bank, NA in the amount of \$2,171,121. Of these investments \$2,171,121 were held by the counterparty's trust department or agent but not in the City's name.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City must follow state statute and limit the stated final maturities of the investments to no more than two years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below.

CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Standard and Poor's Rating	City of Angola Investments	
	Government Sponsored Enterprise	External Investment Pool
AAA	\$ 2,171,121	\$ 35,015
AA	-	2,313
A	-	10,058
BBB	-	5,755
BB	-	377
Unrated	-	269
Totals	<u>\$ 2,171,121</u>	<u>\$ 53,787</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

B. Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,669,800	\$ -	\$ -	\$ 1,669,800
Construction in progress	<u>1,172,538</u>	<u>338,393</u>	<u>248,821</u>	<u>1,262,110</u>
Total capital assets, not being depreciated	<u>2,842,338</u>	<u>338,393</u>	<u>248,821</u>	<u>2,931,910</u>
Capital assets, being depreciated:				
Buildings	3,352,853	302,132	15,500	3,639,485
Improvements other than buildings	612,103	-	50,486	561,617
Infrastructure	4,764,898	585,134	-	5,350,032
Machinery and equipment	<u>4,248,771</u>	<u>128,689</u>	<u>157,794</u>	<u>4,219,666</u>
Totals	<u>12,978,625</u>	<u>1,015,955</u>	<u>223,780</u>	<u>13,770,800</u>

CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities (continued):				
Less accumulated depreciation for:				
Buildings	510,164	72,277	-	582,441
Improvements other than buildings	60,510	13,139	-	73,649
Infrastructure	2,362,997	183,879	-	2,546,876
Machinery and equipment	<u>1,057,041</u>	<u>498,564</u>	<u>112,622</u>	<u>1,442,983</u>
Totals	<u>3,990,712</u>	<u>767,859</u>	<u>112,622</u>	<u>4,645,949</u>
Total capital assets, being depreciated, net	<u>8,987,913</u>	<u>248,096</u>	<u>111,158</u>	<u>9,124,851</u>
Total governmental activities capital assets, net	<u>\$ 11,830,251</u>	<u>\$ 586,489</u>	<u>\$ 359,979</u>	<u>\$ 12,056,761</u>
Business-type activities:				
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 56,533	\$ -	\$ -	\$ 56,533
Construction in progress	<u>8,123</u>	<u>-</u>	<u>-</u>	<u>8,123</u>
Total capital assets, not being depreciated	<u>64,656</u>	<u>-</u>	<u>-</u>	<u>64,656</u>
Capital assets, being depreciated:				
Buildings	2,232,959	9,561	9,099	2,233,421
Improvements other than buildings	5,278,141	8,883	34,676	5,252,348
Infrastructure	1,753	233,422	-	235,175
Machinery and equipment	<u>820,402</u>	<u>-</u>	<u>21,627</u>	<u>798,775</u>
Totals	<u>8,333,255</u>	<u>251,866</u>	<u>65,402</u>	<u>8,519,719</u>
Less accumulated depreciation for:				
Buildings	463,403	46,977	3,640	506,740
Improvements other than buildings	1,245,347	154,488	24,559	1,375,276
Infrastructure	10,055	3,271	-	13,326
Machinery and equipment	<u>418,297</u>	<u>66,625</u>	<u>18,225</u>	<u>466,697</u>
Totals	<u>2,137,102</u>	<u>271,361</u>	<u>46,424</u>	<u>2,362,039</u>
Total capital assets, being depreciated, net	<u>6,196,153</u>	<u>(19,495)</u>	<u>18,978</u>	<u>6,157,680</u>
Total Water Utility capital assets, net	<u>\$ 6,260,809</u>	<u>\$ (19,495)</u>	<u>\$ 18,978</u>	<u>\$ 6,222,336</u>

CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 26,625	\$ -	\$ -	\$ 26,625
Construction in progress	<u>536,275</u>	<u>1,019,934</u>	<u>946,918</u>	<u>609,291</u>
 Total capital assets, not being depreciated	 <u>562,900</u>	 <u>1,019,934</u>	 <u>946,918</u>	 <u>635,916</u>
Capital assets, being depreciated:				
Buildings	6,891,914	-	-	6,891,914
Improvements other than buildings	2,229,189	866,136	19,451	3,075,874
Infrastructure	12,740,869	929,870	-	13,670,739
Machinery and equipment	<u>878,839</u>	<u>-</u>	<u>80,238</u>	<u>798,601</u>
 Totals	 <u>22,740,811</u>	 <u>1,796,006</u>	 <u>99,689</u>	 <u>24,437,128</u>
Less accumulated depreciation for:				
Buildings	1,369,252	139,735	-	1,508,987
Improvements other than buildings	734,219	77,054	4,591	806,682
Infrastructure	4,341,525	406,257	-	4,747,782
Machinery and equipment	<u>600,344</u>	<u>79,532</u>	<u>12,710</u>	<u>667,166</u>
 Totals	 <u>7,045,340</u>	 <u>702,578</u>	 <u>17,301</u>	 <u>7,730,617</u>
 Total capital assets, being depreciated, net	 <u>15,695,471</u>	 <u>1,093,428</u>	 <u>82,388</u>	 <u>16,706,511</u>
 Total Wastewater Utility capital assets, net	 <u>\$ 16,258,371</u>	 <u>\$ 2,113,362</u>	 <u>\$ 1,029,306</u>	 <u>\$ 17,342,427</u>

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

Governmental activities:	
General government	\$ 438,970
Public works, including depreciation of general infrastructure assets	281,835
Culture and recreation	<u>47,054</u>
 Total depreciation expense - governmental activities	 <u>\$ 767,859</u>
Business-type activities:	
Water	\$ 271,361
Wastewater	<u>702,578</u>
 Total depreciation expense - business-type activities	 <u>\$ 973,939</u>

CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2005	Committed
Governmental activities:			
Harcourt Road West	\$ 1,162,190	\$ 757,625	\$ 404,565
Wolhert Street Extension	320,000	249,597	70,403
J. Leach Drain & Park Detention Pond	6,000	5,625	375
Trail Project	250,000	241,588	8,412
Telephone System	5,000	3,733	1,267
Server Room Relocation	<u>8,000</u>	<u>3,942</u>	<u>4,058</u>
Totals for governmental activities	<u>\$ 1,751,190</u>	<u>\$ 1,262,110</u>	<u>\$ 489,080</u>
Business-type activities:			
Water Utility:			
West Mill Street Project	\$ 75,000	\$ 4,800	\$ 70,200
Harcourt Road Water Main Extension	<u>100,000</u>	<u>3,323</u>	<u>96,677</u>
Totals for Water Utility	<u>175,000</u>	<u>8,123</u>	<u>166,877</u>
Wastewater Utility:			
WWTP Improvements Project	\$ 500,000	\$ 450,987	\$ 49,013
Woodhull Drive Sanitary Sewer	200,000	1,030	198,970
CR 200 N and CR 240 N Extensions	150,000	2,156	147,844
East Maumee Street Separation	205,000	4,179	200,821
CR 150 S Sewer Project	100,000	1,773	98,227
Sunnyfield Sanitary Sewer	<u>250,000</u>	<u>149,166</u>	<u>100,834</u>
Totals for Wastewater Utility	<u>1,405,000</u>	<u>609,291</u>	<u>795,709</u>
Totals for business-type activities	<u>\$ 1,580,000</u>	<u>\$ 617,414</u>	<u>\$ 962,586</u>

D. Long-Term Liabilities

1. Revenue Bonds

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

CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Purpose	Interest Rates	Balance at December 31	Premium (Discount) (Deferral of Loss on Refunding)	Revenue Bonds
1998 Waterworks revenue bonds	4% to 5%	\$ 1,555,000	\$ (23,581)	\$ 1,531,419
2002 Waterworks revenue bonds	2.85% to 5.20%	955,000	(17,077)	937,923
1997 Sewage works revenue bonds	5%	1,615,000	(23,650)	1,591,350
2004 Sewage works revenue and refund bonds	2.25% to 3.50%	<u>3,210,000</u>	<u>(54,109)</u>	<u>3,155,891</u>
Totals		<u>\$ 7,335,000</u>	<u>\$ (118,417)</u>	<u>\$ 7,216,583</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Business-Type Activities	
	Principal	Interest
2006	\$ 120,000	\$ 221,888
2007	420,000	313,411
2008	430,000	297,304
2009	460,000	280,639
2010	470,000	262,545
2011-2015	2,675,000	998,192
2016-2020	2,315,000	359,264
2021-2025	<u>445,000</u>	<u>40,838</u>
Totals	<u>\$ 7,335,000</u>	<u>\$ 2,774,081</u>

2. Loan Payable

Under the terms of the State Revolving Loan Fund, revenue bonds have been purchased by the Indiana Bond Bank, the proceeds of which are set aside to finance the construction of improvements to the Wastewater Utility. Funds are loaned to the City as construction costs are accrued to the maximum allowed. Loan payable debt service requirements to maturity are as follows:

CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Year Ended December 31	Business-Type Activities	
	Principal	Interest
2006	\$ -	\$ 65,538
2007	100,000	129,325
2008	100,000	125,825
2009	105,000	122,238
2010	105,000	118,563
2011-2015	600,000	532,875
2016-2020	2,085,000	347,113
2021-2025	650,000	11,375
Totals	<u>\$ 3,745,000</u>	<u>\$ 1,452,852</u>

3. Advance Refunding

In prior years, the primary government defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the primary government's financial statements. The following outstanding bonds, at December 31, 2005, were considered defeased:

	<u>Amount</u>
Primary government	<u>\$ 2,100,000</u>

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005, was as follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	<u>\$ 50,321</u>	<u>\$ 71,198</u>	<u>\$ 33,552</u>	<u>\$ 87,967</u>	<u>\$ 55,173</u>

CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Revenue bonds payable:					
Water Utility	\$ 2,625,000	\$ -	\$ 115,000	\$ 2,510,000	\$ 120,000
Wastewater Utility	<u>5,115,000</u>	<u>-</u>	<u>290,000</u>	<u>4,825,000</u>	<u>-</u>
Total revenue bonds payable	7,740,000	-	405,000	7,335,000	120,000
Loan payable:					
Wastewater Utility	3,524,539	315,461	95,000	3,745,000	-
Compensated absences	<u>15,296</u>	<u>16,604</u>	<u>12,098</u>	<u>19,802</u>	<u>7,978</u>
Total business-type activities long-term liabilities	<u>\$ 11,279,835</u>	<u>\$ 332,065</u>	<u>\$ 512,098</u>	<u>\$ 11,099,802</u>	<u>\$ 127,978</u>

E. Restricted Assets

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

Customer deposits	\$ 32,615
Revenue bond operations and maintenance account	1,038,870
Improvements and construction account	<u>1,448,358</u>
Total restricted assets	<u>\$ 2,519,843</u>

F. Restatements and Reclassifications

For the year ended December 31, 2005, certain changes have been made to the financial statements to more appropriately reflect financial activity of the primary government. The following schedule presents a summary of restated beginning balances by fund type. Prior period adjustments represent changes in the depreciation of capital assets due to the primary government's efforts to account accurately for all capital assets owned by the City.

<u>Fund Type</u>	<u>Balance as Reported December 31, 2004</u>	<u>Prior Period Adjustments</u>	<u>Balance as Restated January 1, 2005</u>
Government activities:			
Accumulated depreciation	\$ (5,629,800)	\$ 1,639,088	\$ (3,990,712)
Business-type activities:			
Water Utility:			
Accumulated depreciation	(2,078,228)	(58,874)	(2,137,102)
Wastewater Utility:			
Accumulated depreciation	(6,886,316)	(159,024)	(7,045,340)

CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

The primary government is 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.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; 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.

Medical Benefits

The primary government has chosen to establish a risk financing fund for risks associated with employee health insurance. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$10,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. A premium is charged to each fund that accounts for payroll. The total charge allocated to each of the funds is calculated using a ratio of that fund to the total payroll. Provisions are also made for unexpected and unusual claims.

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amounts of pay outs and other economic and social factors.

Changes in the balance of claim liabilities during the past two years are as follows:

	2004	2005
Unpaid claims, beginning of fiscal year	\$ 55,570	\$ 23,665
Incurred claims and changes in estimates	497,823	561,427
Claim payments	(529,728)	(561,427)
Unpaid claims, end of fiscal year	\$ 23,665	\$ 23,665

Job Related Injury and Illness

During 1991, the primary government joined together with other governmental entities to form the Indiana Public Employers' Plan, Inc., a public entity risk pool currently operating as a common risk management and insurance program for approximately 350 member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of workers' compensation claims. The primary government pays an annual premium to the risk pool for its workers' compensation claims coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Conduit Debt Obligation

From time to time, the primary government has issued bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the primary government, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2005, there was one series of economic development revenue bonds outstanding with an aggregate principal amount payable of \$4,795,000.

C. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The primary government contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the primary government 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 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. The 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 plan members for PERF are established by the Board of Trustees of PERF. The primary government's annual pension cost and related information, as provided by the actuary, is presented in this note.

CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Information to segregate the assets/liabilities and the actuarial study figures between the primary government and the Utilities is not available. Therefore, the liability for Net Pension Obligation (NPO) is not reported.

b. 1925 Police Officers' Pension Plan

Plan Description

The primary government contributes to the 1925 Police Officers' Pension Plan which 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 and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The primary government's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the primary government results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension
Annual required contribution	\$ 134,269	\$ 307,400
Interest on net pension obligation	(7,315)	77,700
Adjustment to annual required contribution	8,336	(129,600)
Annual pension cost	135,290	255,500
Contributions made	161,393	119,040
Increase (decrease) in net pension obligation	(26,103)	136,460
Net pension obligation, beginning of year	(100,900)	1,151,080
Net pension obligation, end of year	\$ (127,003)	\$ 1,287,540

CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF	1925 Police Officers' Pension
Contribution rates:		
City	6%	N/R
Plan members	3%	N/R
Actuarial valuation date	07-01-05	01-01-03
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	40 years
Amortization period (from date)	07-01-97	12-31-77
Asset valuation method	4 year smoothed market	4 year smoothed market

N/R = Not required.

Actuarial Assumptions	PERF	1925 Police Officers' Pension
Investment rate of return	7.25%	7%
Projected future salary increases:		
Total	5%	5%
Attributed to inflation	4%	4%
Attributed to merit/seniority	1%	1%
Cost-of-living adjustments	2%	0%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 127,159	103%	\$ (72,002)
	06-30-04	115,006	125%	(100,900)
	06-30-05	135,290	140%	(127,003)
1925 Police Officers' Pension Plan	12-31-01	317,400	26%	1,112,829
	12-31-02	245,400	84%	1,151,050
	12-31-03	255,500	47%	1,287,540

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2005, was comprised of the following:

CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

	1925 Police Officers' Pension
Retirees and beneficiaries currently receiving benefits	8

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The primary government contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) 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 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF 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 Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the primary government is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the primary government are established by the Board of Trustees of PERF. The primary government's contributions to the plan for the years ending December 31, 2005, 2004, and 2003, were \$171,706, \$144,710, and \$141,945, respectively, equal to the required contributions for each year.

CITY OF ANGOLA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 1,460,097	\$ 1,777,161	\$ (317,064)	82%	\$ 1,979,144	(16%)
07-01-04	1,537,097	1,962,319	(425,222)	78%	2,212,423	(19%)
07-01-05	1,665,345	2,304,302	(638,957)	72%	2,299,252	(28%)

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-99	\$ 216,698	\$ 3,247,300	\$ (3,030,602)	7%	\$ 117,110	(2,588%)
01-01-00	210,593	3,024,700	(2,814,107)	7%	115,200	(2,443%)
01-01-01	225,044	3,363,500	(3,138,456)	7%	39,700	(7,905%)
01-01-02	212,344	2,776,400	(2,564,056)	8%	No covered payroll	
01-01-03	249,462	2,680,200	(2,430,738)	9%	No covered payroll	
01-01-04	132,304	2,774,200	(2,641,896)	5%	No covered payroll	

CITY OF ANGOLA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS

1925 Police Officers' Pension Plan		
Year Ending	Annual Required Contribution (ARC)	Percentage Of ARC Contributed
12-31-98	\$ 315,300	40%
12-31-99	343,000	27%
12-31-00	328,700	40%
12-31-01	349,600	24%
12-31-02	260,600	71%
12-31-03	307,400	39%

CITY OF ANGOLA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND
For The Year Ended December 31, 2005

	General Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 2,391,989	\$ 2,391,989	\$ 4,156,852	\$ 1,764,863
Licenses and permits	19,000	19,000	21,122	2,122
Intergovernmental	1,192,298	1,192,298	1,290,675	98,377
Charges for services	618,973	618,973	624,916	5,943
Fines and forfeits	11,000	11,000	11,422	422
Other	10,000	10,000	109,546	99,546
Total revenues	<u>4,243,260</u>	<u>4,243,260</u>	<u>6,214,533</u>	<u>1,971,273</u>
Expenditures:				
Current:				
General government:				
Personal services	492,700	449,200	436,632	12,568
Supplies	26,500	36,637	32,061	4,576
Other services and charges	917,200	961,119	852,110	109,009
Capital outlay	385,700	262,644	155,814	106,829
Other disbursements	-	-	4,021	-
Total general government	<u>1,822,100</u>	<u>1,709,600</u>	<u>1,480,640</u>	<u>232,982</u>
Public safety:				
Personal services	2,215,200	2,198,700	2,174,023	24,677
Supplies	117,200	105,700	97,373	8,327
Other services and charges	131,000	110,617	95,981	14,636
Capital outlay	126,000	95,651	79,894	15,757
Total public safety	<u>2,589,400</u>	<u>2,510,668</u>	<u>2,447,270</u>	<u>63,398</u>
Sanitation:				
Garbage and trash collection	185,800	213,300	213,199	101
Total sanitation	<u>185,800</u>	<u>213,300</u>	<u>213,199</u>	<u>101</u>
Stormwater:				
Sewer materials	25,000	15,000	13,123	1,877
Repairs and maintenance	25,000	17,000	14,238	2,763
Total stormwater	<u>50,000</u>	<u>32,000</u>	<u>27,361</u>	<u>4,639</u>
Total expenditures	<u>4,647,300</u>	<u>4,465,568</u>	<u>4,168,469</u>	<u>297,099</u>
Other financing sources (uses):				
Operating transfers out	<u>(500,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
Net change in fund balances	(904,040)	(722,308)	1,546,064	1,674,174
Fund balances - beginning	<u>479,791</u>	<u>479,791</u>	<u>479,791</u>	<u>-</u>
Fund balances - December 31	<u>\$ (424,249)</u>	<u>\$ (242,517)</u>	<u>\$ 2,025,855</u>	<u>\$ 1,674,174</u>
Reconciliation to GAAP:				
Excess of revenues and other financing sources over expenditures and other financing uses (budgetary basis)			\$ 1,546,064	
Adjustments:				
To adjust revenues for accruals			(1,416,650)	
To adjust expenditures for accruals			<u>174,918</u>	
Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)			<u>\$ 304,332</u>	

CITY OF ANGOLA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
MAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2005

	Parks Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 299,692	\$ 299,692	\$ 557,963	\$ 258,271
Intergovernmental	21,247	21,247	39,344	18,097
Charges for services	300	300	179	(121)
Other	<u>12,800</u>	<u>12,800</u>	<u>10,812</u>	<u>(1,988)</u>
Total revenues	<u>334,039</u>	<u>334,039</u>	<u>608,298</u>	<u>274,259</u>
Expenditures:				
Current:				
Culture and recreation:				
Personal services	263,300	241,100	237,611	3,489
Supplies	24,900	24,100	22,159	1,941
Other Services and charges	49,400	48,900	43,623	5,277
Capital outlay	122,500	166,300	164,668	1,632
Other disbursements	-	-	146	-
Total culture and recreation	<u>460,100</u>	<u>480,400</u>	<u>468,208</u>	<u>12,338</u>
Total expenditures	<u>460,100</u>	<u>480,400</u>	<u>468,208</u>	<u>12,192</u>
Other financing sources (uses):				
Operating transfers in	100,000	100,000	100,000	-
Operating transfers out	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Net change in fund balances	(276,061)	(296,361)	(9,910)	262,066
Fund balances - beginning	<u>139,404</u>	<u>139,404</u>	<u>139,404</u>	<u>-</u>
Fund balances - December 31	<u><u>\$ (136,657)</u></u>	<u><u>\$ (156,957)</u></u>	<u><u>\$ 129,493</u></u>	<u><u>\$ 262,066</u></u>
Reconciliation to GAAP:				
Deficiency of revenues and other financing sources under expenditures and other financing uses (budgetary basis)			\$ (9,910)	
Adjustments:				
To adjust revenues for accruals			(176,601)	
To adjust expenditures for accruals			<u>84,023</u>	
Deficiency of revenues and other financing sources under expenditures and other financing uses (GAAP basis)			<u><u>\$ (102,488)</u></u>	

CITY OF ANGOLA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
MAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2005

	Highways and Street Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 579,747	\$ 579,747	\$ 1,277,348	\$ 697,601
Intergovernmental	266,239	266,239	335,220	68,981
Charges for services	2,580	2,580	3,115	535
Other	-	-	3,567	3,567
Total revenues	<u>848,566</u>	<u>848,566</u>	<u>1,619,250</u>	<u>770,684</u>
Expenditures:				
Current:				
Highways and streets:				
Personal services	473,800	456,000	444,796	11,204
Supplies	92,800	104,800	98,844	5,956
Other services and charges	428,600	421,753	391,052	30,701
Capital outlay	133,000	124,500	63,541	60,959
Total highways and streets	<u>1,128,200</u>	<u>1,107,053</u>	<u>998,232</u>	<u>108,821</u>
Total expenditures	<u>1,128,200</u>	<u>1,107,053</u>	<u>998,232</u>	<u>108,821</u>
Other financing sources (uses):				
Operating transfers in	100,000	100,000	100,000	-
Operating transfers out	(400,000)	(400,000)	(400,000)	-
Total other financing sources (uses)	<u>(300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
Net change in fund balances	(579,634)	(558,487)	321,018	661,864
Fund balances - beginning	<u>142,843</u>	<u>142,843</u>	<u>142,843</u>	<u>-</u>
Fund balances - December 31	<u>\$ (436,791)</u>	<u>\$ (415,644)</u>	<u>\$ 463,861</u>	<u>\$ 661,864</u>
Reconciliation to GAAP:				
Excess of revenues and other financing sources over expenditures and other financing uses (budgetary basis)			\$ 321,018	
Adjustments:				
To adjust revenues for accruals			(708,962)	
To adjust expenditures for accruals			<u>317,841</u>	
Deficiency of revenues and other financing sources under expenditures and other financing uses (GAAP basis)			<u>\$ (70,103)</u>	

CITY OF ANGOLA
EXIT CONFERENCE

The contents of this report were discussed on August 22, 2006, with Richard M. Hickman, Mayor; and Debra A. Twitchell, Clerk-Treasurer. Our audit disclosed no material items that warrant comment at this time.