

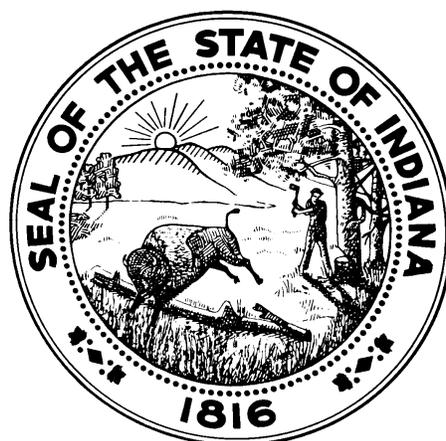
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2007

CITY OF ANGOLA

STEBEN COUNTY, INDIANA



FILED
09/25/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Debra A. Twitchell	01-01-04 to 12-31-11
Mayor	Richard M. Hickman	01-01-04 to 12-31-11
President of the Board of Public Works and Safety	Richard M. Hickman	01-01-04 to 12-31-11
President of the Common Council	Richard M. Hickman	01-01-04 to 12-31-11
Superintendent of Water Utility	Daniel D. Olis	01-01-07 to 12-31-08
Superintendent of Wastewater Utility	Craig Williams	01-01-07 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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, 2007, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial 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 opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2007, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated September 2, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

September 2, 2008



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ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the 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, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 2, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the City's management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

September 2, 2008

CITY OF ANGOLA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2007

Functions/Programs	Program Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 1,129,719	\$ 131,912	\$ -	\$ -	\$ (997,807)	\$ -	\$ (997,807)
Public safety	3,190,459	763,379	44,029	-	(2,383,051)	-	(2,383,051)
Highways and streets	1,309,623	2,580	263,781	49,872	(993,390)	-	(993,390)
Sanitation	273,774	201,041	-	-	(72,733)	-	(72,733)
Economic development	387,303	-	-	-	(387,303)	-	(387,303)
Culture and recreation	390,895	4,836	9,018	-	(377,041)	-	(377,041)
Total governmental activities	<u>6,681,773</u>	<u>1,103,748</u>	<u>316,828</u>	<u>49,872</u>	<u>(5,211,325)</u>	<u>-</u>	<u>(5,211,325)</u>
Business-type activities:							
Water	2,881,257	1,699,384	-	256,631	-	(925,242)	(925,242)
Wastewater	2,101,811	2,117,783	-	-	-	15,972	15,972
Total business-type activities	<u>4,983,068</u>	<u>3,817,167</u>	<u>-</u>	<u>256,631</u>	<u>-</u>	<u>(909,270)</u>	<u>(909,270)</u>
Total primary government	<u>\$ 11,664,841</u>	<u>\$ 4,920,915</u>	<u>\$ 316,828</u>	<u>\$ 306,503</u>	<u>(5,211,325)</u>	<u>(909,270)</u>	<u>(6,120,595)</u>
General receipts:							
Property taxes					2,934,466	-	2,934,466
Other local sources					1,575,221	21,710	1,596,931
Other state sources					126,534	-	126,534
Bonds and loans					-	2,595,498	2,595,498
Unrestricted investment earnings					88,763	258,355	347,118
Total general receipts					<u>4,724,984</u>	<u>2,875,563</u>	<u>7,600,547</u>
Change in net assets					(486,341)	1,966,293	1,479,952
Net assets - beginning					<u>7,090,847</u>	<u>2,838,992</u>	<u>9,929,839</u>
Net assets - ending					<u>\$ 6,604,506</u>	<u>\$ 4,805,285</u>	<u>\$ 11,409,791</u>
<u>Assets</u>							
Cash and investments					\$ 1,439,379	\$ 415,355	\$ 1,854,734
Restricted assets:							
Cash and investments					<u>5,165,127</u>	<u>4,389,930</u>	<u>9,555,057</u>
Total assets					<u>\$ 6,604,506</u>	<u>\$ 4,805,285</u>	<u>\$ 11,409,791</u>
<u>Net Assets</u>							
Restricted for:							
Public safety					\$ 38,276	\$ -	\$ 38,276
Highways and streets					4,424,732	-	4,424,732
Economic development					544,011	-	544,011
Culture and recreation					158,108	-	158,108
Debt service					-	1,204,960	1,204,960
Other purposes					-	3,184,970	3,184,970
Unrestricted					<u>1,439,379</u>	<u>415,355</u>	<u>1,854,734</u>
Total net assets					<u>\$ 6,604,506</u>	<u>\$ 4,805,285</u>	<u>\$ 11,409,791</u>

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

CITY OF ANGOLA
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007

	General	Highways and Streets	Parks	CEDIT	Local Major Moves Construction	Other Governmental Funds	Totals
Receipts:							
Taxes	\$ 1,707,113	\$ 851,210	\$ 376,144	\$ -	\$ -	\$ -	\$ 2,934,467
Licenses and permits	19,586	-	-	-	-	1,420	21,006
Intergovernmental	1,125,160	309,211	20,075	317,591	-	142,426	1,914,463
Charges for services	1,016,346	2,580	4,196	-	-	6,018	1,029,140
Fines and forfeits	10,471	-	4,355	-	-	1,765	16,591
Other	147,906	55,511	3,614	-	6,638	10,723	224,392
Total receipts	4,026,582	1,218,512	408,384	317,591	6,638	162,352	6,140,059
Disbursements:							
General government	1,071,327	-	-	-	-	-	1,071,327
Public safety	3,140,614	-	-	-	-	49,845	3,190,459
Highways and streets	81,984	1,028,392	-	-	-	-	1,110,376
Sanitation	273,774	-	-	-	-	-	273,774
Culture and recreation	-	-	380,971	-	-	9,924	390,895
Economic development	-	-	-	387,303	-	-	387,303
Capital outlay:							
Highways and streets	-	-	-	-	152,386	46,861	199,247
Total disbursements	4,567,699	1,028,392	380,971	387,303	152,386	106,630	6,623,381
Excess (deficiency) of receipts over disbursements	(541,117)	190,120	27,413	(69,712)	(145,748)	55,722	(483,322)
Other financing sources (uses):							
Interfund loans	-	(32,000)	(53,000)	85,000	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(541,117)	158,120	(25,587)	15,288	(145,748)	55,722	(483,322)
Cash and investment fund balance - beginning	1,760,819	447,409	183,695	528,723	3,911,575	250,976	7,083,197
Cash and investment fund balance - ending	<u>\$ 1,219,702</u>	<u>\$ 605,529</u>	<u>\$ 158,108</u>	<u>\$ 544,011</u>	<u>\$ 3,765,827</u>	<u>\$ 306,698</u>	<u>6,599,875</u>
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because:							
Internal services 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 Activities and Net Assets - Cash and Investment Basis.							4,631
Net assets of governmental activities							<u>\$ 6,604,506</u>
Cash and Investment Assets - December 31							
Cash and investments	\$ 1,219,702	\$ -	\$ -	\$ -	\$ -	\$ 215,046	\$ 1,434,748
Restricted assets:							
Cash and investments	-	605,529	158,108	544,011	3,765,827	91,652	5,165,127
Total cash and investment assets - December 31	\$ 1,219,702	\$ 605,529	\$ 158,108	\$ 544,011	\$ 3,765,827	\$ 306,698	\$ 6,599,875
Cash and Investment Fund Balance - December 31							
Restricted for:							
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,276	\$ 38,276
Highways and streets	-	605,529	-	-	3,765,827	53,376	4,424,732
Culture and recreation	-	-	158,108	-	-	-	158,108
Economic development	-	-	-	544,011	-	-	544,011
Unrestricted	1,219,702	-	-	-	-	215,046	1,434,748
Total cash and investment fund balance - December 31	\$ 1,219,702	\$ 605,529	\$ 158,108	\$ 544,011	\$ 3,765,827	\$ 306,698	\$ 6,599,875

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

CITY OF ANGOLA
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2007

	Water Utility	Wastewater Utility	Totals	Internal Service Funds
Operating receipts:				
Metered water receipts	\$ 1,198,975	\$ -	\$ 1,198,975	\$ -
Measured receipts:				
Wastewater	-	1,816,473	1,816,473	-
Storm water	-	146,270	146,270	-
Fire protection receipts	404,629	-	404,629	-
Penalties	7,800	30,643	38,443	-
Connection fees	39,640	78,793	118,433	-
Insurance proceeds	-	-	-	661,221
Other	48,340	45,604	93,944	2,412
Total operating receipts	1,699,384	2,117,783	3,817,167	663,633
Operating disbursements:				
Equipment and capital improvements	1,338,061	126,800	1,464,861	-
Source of supply and disbursements - operations and maintenance	107,523	-	107,523	-
Water treatment disbursements - operations and maintenance	254,817	-	254,817	-
Transmission and distribution	296,759	-	296,759	-
Collection system - operations and maintenance	-	238,304	238,304	-
Pumping - operations and maintenance	-	146,956	146,956	-
Treatment and disposal disbursements - operations and maintenance	-	504,664	504,664	-
Customer accounts	61,127	64,362	125,489	-
Administration and general	292,817	294,864	587,681	-
Sales tax disbursements	67,631	-	67,631	-
Utilities receipt tax disbursements	17,008	-	17,008	-
Insurance disbursements	-	-	-	666,652
Total operating disbursements	2,435,743	1,375,950	3,811,693	666,652
Excess (deficiency) of operating receipts over operating disbursements	<u>(736,359)</u>	<u>741,833</u>	<u>5,474</u>	<u>(3,019)</u>
Nonoperating receipts (disbursements):				
Bond proceeds	2,595,498	-	2,595,498	-
Interest receipts	177,176	81,179	258,355	-
Customer deposits received	21,710	-	21,710	-
Customer deposits refunded	(18,480)	-	(18,480)	-
Principal paid on long-term debt	(265,000)	(405,000)	(670,000)	-
Interest paid on long-term debt	(162,034)	(320,861)	(482,895)	-
Total nonoperating receipts (disbursements)	2,348,870	(644,682)	1,704,188	-
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	1,612,511	97,151	1,709,662	(3,019)
Capital contributions	256,631	-	256,631	-
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	1,869,142	97,151	1,966,293	(3,019)
Cash and investment fund balance - beginning	1,459,537	1,379,455	2,838,992	7,650
Cash and investment fund balance - ending	<u>\$ 3,328,679</u>	<u>\$ 1,476,606</u>	<u>\$ 4,805,285</u>	<u>\$ 4,631</u>
Cash and Investment Assets - December 31				
Cash and investments	\$ 188,230	\$ 227,125	\$ 415,355	\$ 4,631
Restricted assets:				
Cash and investments	3,140,449	1,249,481	4,389,930	-
Total cash and investment assets - December 31	\$ 3,328,679	\$ 1,476,606	\$ 4,805,285	\$ 4,631
Cash and Investment Fund Balance - December 31				
Restricted for:				
Debt service	\$ 451,259	\$ 753,701	\$ 1,204,960	\$ -
Other purposes	2,689,190	495,780	3,184,970	-
Unrestricted	188,230	227,125	415,355	4,631
Total cash and investment fund balance - December 31	\$ 3,328,679	\$ 1,476,606	\$ 4,805,285	\$ 4,631

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

CITY OF ANGOLA
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2007

	Pension Trust Fund	Agency Funds
Additions:		
Contributions:		
Employer	\$ 120,330	\$ -
Plan members	106,724	-
Total contributions	227,054	-
Investment earnings:		
Interest	7,879	-
Agency fund additions	-	1,298,543
Total additions	234,933	1,298,543
Deductions:		
Benefits	209,560	-
Administrative and general	250	-
Agency fund deductions	-	1,293,483
Total deductions	209,810	1,293,483
Excess of total additions over total deductions	25,123	5,060
Cash and investment fund balance - beginning	128,490	67,726
Cash and investment fund balance - ending	\$ 153,613	\$ 72,786

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 was established under the laws of the State of Indiana. The City 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.

The City's financial reporting entity is composed of the following:

Primary Government: City of Angola

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

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

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. 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.

The City 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.

CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 non-reverting 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 local major moves construction fund (capital projects) accounts for all financial resources and expenses or projects related to the City's share of Major Move's revenues.

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

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

Additionally, the City 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.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund 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 enterprise funds, subject to this same limitation. The City 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 City and Utilities. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.

CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Interfund loans – Loan and repayments from one fund to another are reported as interfund loans.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund loans in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

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 of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board 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 governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ ordinance, approves the budget for the next year. Copies of the budget resolution/ 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 fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. 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.

III. Detailed Notes on All Funds

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The City does not have a deposit policy for custodial credit risk. At December 31, 2007, the City had deposit balances in the amount of \$11,636,190. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

CITY OF 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 \$20,000 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.

Job Related Injury and Illness

During 1991, the primary government joined together with other governmental entities in the Indiana Public Employers' Plan, Inc., a public entity risk pool currently operating as a common risk management and insurance program for 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.

B. Conduit Debt Obligation

From time to time, the City has issued economic development 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 City, 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 notes to the financial statements.

As of December 31, 2007, there were two series of bonds outstanding with an aggregate principal amount payable of \$21,795,000.

CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Rate Structure – Enterprise Funds

Water Utility

On August 3, 1992, the City Council adopted Ordinance 833 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on January 2, 2007.

Wastewater Utility

The current rate structure was approved by the City Council on July 5, 2006.

D. Pension Plans

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

a. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in 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 City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of 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 City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available.

CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

b. 1925 Police Officers' Pension Plan

Plan Description

The City 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 City'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 City 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	\$ 153,271	\$ 238,200
Interest on net pension obligation	(8,454)	84,400
Adjustment to annual required contribution	9,634	(104,900)
Annual pension cost	154,451	217,700
Contributions made	161,306	218,339
Decrease in net pension obligation	(6,855)	(639)
Net pension obligation, beginning of year	(116,611)	1,406,223
Net pension obligation, end of year	\$ (123,466)	\$ 1,405,584

CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF	1925 Police Officers' Pension
Contribution rates:		
City	6.75%	N/A
Plan members	3%	N/A
Actuarial valuation date	07-01-07	01-01-07
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	30 years	30 years
Amortization period (from date)	07-01-97	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital

N/A = Not applicable

Actuarial Assumptions	PERF	1925 Police Officers' Pension
Investment rate of return	7.25%	6%
Projected future salary increases:		
Total	5%	4%
Attributed to inflation	4%	4%
Attributed to merit/seniority	1%	0%
Cost-of-living adjustments	2%	4%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	\$ 135,290	119%	\$ (127,003)
	06-30-06	161,510	94%	(116,611)
	06-30-07	154,451	104%	(123,466)
1925 Police Officers' Pension Plan	12-31-05	172,400	112%	1,381,524
	12-31-06	219,000	89%	1,406,223
	12-31-07	217,700	100%	1,405,584

CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Membership in the 1925 Police Officers' Pension Plan at January 1, 2007, was comprised of the following:

	1925 Police Officers' Pension
Retirees and beneficiaries currently receiving benefits	7

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

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City 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 City 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 City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2007, 2006, and 2005, were \$165,271, \$155,730, and \$147,958, 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)
07-01-05	\$ 1,665,345	\$ 2,304,302	\$ (638,957)	72%	\$ 2,299,252	(28%)
07-01-06	1,942,471	2,270,261	(327,790)	86%	2,370,311	(14%)
07-01-07	2,248,502	2,616,243	(367,741)	86%	2,576,734	(14%)

1925 Police 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)
01-01-02	\$ 212,344	\$ 2,776,400	\$ (2,564,056)	8%	\$ -	N/A
01-01-03	249,462	2,680,200	(2,430,738)	9%	-	N/A
01-01-04	132,304	2,774,200	(2,641,896)	5%	-	N/A
01-01-05	114,134	2,695,500	(2,581,366)	4%	-	N/A
01-01-06	152,341	3,325,700	(3,173,359)	5%	-	N/A
01-01-07	128,491	3,286,200	(3,157,709)	4%	-	N/A

N/A = Not applicable

CITY OF ANGOLA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS FROM THE
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

1925 Police Officers' Pension Plan

Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
		City	State
12-31-02	\$ 290,600	29%	42%
12-31-03	307,400	16%	23%
12-31-04	316,900	13%	30%
12-31-05	190,200	50%	51%
12-31-06	237,800	36%	46%
12-31-07	238,200	47%	45%

CITY OF ANGOLA
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007

	Law Enforcement	Continuing Education	Riverboat	Rainy Day	Donation	Cumulative Capital Improvement	Federal Grants	Police Operations	Hazmat Response	Totals
Receipts:										
Licenses and permits	\$ 1,420	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,420
Intergovernmental	-	46,310	51,565	-	-	25,795	18,756	-	-	142,426
Charges for services	1,885	-	-	-	-	-	-	-	4,133	6,018
Fines and forfeits	1,765	-	-	-	-	-	-	-	-	1,765
Other	415	2,680	6	7,622	-	-	-	-	-	10,723
Total receipts	5,485	48,990	51,571	7,622	25,795	18,756	-	4,133	-	162,352
Disbursements:										
Public safety	9,614	-	-	-	-	-	18,756	-	21,475	49,845
Culture and recreation	-	-	-	9,924	-	-	-	-	-	9,924
Capital outlay: Highways and streets	-	42,361	-	-	-	4,500	-	-	-	46,861
Total disbursements	9,614	42,361	-	9,924	4,500	18,756	-	21,475	-	106,630
Excess (deficiency) of receipts over disbursements	(4,129)	6,629	51,571	(2,302)	21,295	-	-	(17,342)	-	55,722
Cash and investment fund balance - beginning	30,400	71,648	38,429	49,071	32,081	-	2,000	27,347	-	250,976
Cash and investment fund balance - ending	<u>\$ 26,271</u>	<u>\$ 78,277</u>	<u>\$ 90,000</u>	<u>\$ 46,769</u>	<u>\$ 53,376</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 10,005</u>	<u>\$ -</u>	<u>\$ 306,698</u>
Cash and Investment Assets - December 31										
Cash and investments	\$ -	\$ 78,277	\$ 90,000	\$ 46,769	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 215,046
Restricted assets: Cash and investments	26,271	-	-	-	53,376	-	2,000	10,005	-	91,652
Total cash and investment assets - December 31	\$ 26,271	\$ 78,277	\$ 90,000	\$ 46,769	\$ 53,376	\$ -	\$ 2,000	\$ 10,005	\$ -	\$ 306,698
Cash and Investment Fund Balance - December 31										
Restricted for:										
Public safety	\$ 26,271	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,000	\$ 10,005	\$ -	\$ 38,276
Highways and streets	-	-	-	-	53,376	-	-	-	-	53,376
Unrestricted	-	78,277	90,000	46,769	-	-	-	-	-	215,046
Total cash and investment fund balance - December 31	\$ 26,271	\$ 78,277	\$ 90,000	\$ 46,769	\$ 53,376	\$ -	\$ 2,000	\$ 10,005	\$ -	\$ 306,698

CITY OF ANGOLA
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2007

	<u>Payroll</u>	<u>Escrow</u>	<u>Totals</u>
Additions:			
Agency fund additions	\$ 1,253,867	\$ 44,676	\$ 1,298,543
Deductions:			
Agency fund deductions	<u>1,247,948</u>	<u>45,535</u>	<u>1,293,483</u>
Excess (deficiency) of total additions over total deductions	5,919	(859)	5,060
Cash and investment fund balance - beginning	<u>44,632</u>	<u>23,094</u>	<u>67,726</u>
Cash and investment fund balance - ending	<u>\$ 50,551</u>	<u>\$ 22,235</u>	<u>\$ 72,786</u>

CITY OF ANGOLA
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2007

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 1,971,310
Infrastructure	6,275,047
Buildings	3,692,462
Improvements other than buildings	391,420
Machinery and equipment	3,497,549
Construction in progress	<u>1,222,429</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 17,050,217</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 50,000
Construction in progress	2,226,397
Capital assets, being depreciated:	
Buildings	2,096,216
Improvements other than buildings	7,390
Infrastructure	5,398,455
Machinery and equipment	<u>1,108,252</u>
 Total Water Utility capital assets	 <u>10,886,710</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	26,625
Construction in progress	26,985
Capital assets, being depreciated:	
Buildings	6,964,342
Improvements other than buildings	31,970
Infrastructure	16,859,378
Machinery and equipment	<u>1,982,929</u>
 Total Wastewater Utility capital assets	 <u>25,892,229</u>
 Total business-type activities capital assets	 <u>\$ 36,778,939</u>

CITY OF ANGOLA
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2007

Description of Liability	Ending Balance	Due Within One Year
Business-type Activities:		
Water Utility		
1998 Waterworks revenue bonds	\$ 1,390,000	\$ 90,000
2002 Waterworks revenue bonds	875,000	35,000
2007 Waterworks revenue bonds	<u>2,495,000</u>	<u>90,000</u>
Total Water Utility	<u>4,760,000</u>	<u>215,000</u>
Wastewater Utility		
1997 Sewage works revenue bonds	1,465,000	-
2004 Sewage works revenue bonds	2,760,000	-
State revolving fund loan	<u>3,545,000</u>	<u>-</u>
Total Wastewater Utility	<u>7,770,000</u>	<u>-</u>
Total business-type activities long-term debt:	<u>\$ 12,530,000</u>	<u>\$ 215,000</u>

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Angola (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2007. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the City's management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

September 2, 2008

CITY OF ANGOLA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended December 31, 2007

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Office of Community and Rural Affairs			
Community Development Block Grants/State's Program	14.228		
CF-06-115			\$ 500,000
PN-006-001			18,756
PL-04-055			<u>4,685</u>
Total for program			<u>523,441</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Pass-Through Indiana Department of Homeland Security			
Disaster Grants - Public Assistance	97.036		
LEA-005			<u>9,905</u>
Total federal awards expended			<u>\$ 533,346</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF ANGOLA
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Angola (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF ANGOLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weaknesses identified? no
 Significant deficiencies identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:
 Material weaknesses identified? no
 Significant deficiencies identified that are not considered to be material weaknesses? none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.228	Community Development Block Grants/State's Program

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF ANGOLA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF ANGOLA
EXIT CONFERENCE

The contents of this report were discussed on September 2, 2008, with Debra A. Twitchell, Clerk-Treasurer; and Richard M. Hickman, Mayor. Our audit disclosed no material items that warrant comment at this time.