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STATE BOARD OF ACCOUNTS
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INDIANAPOLIS, INDIANA 46204-2769

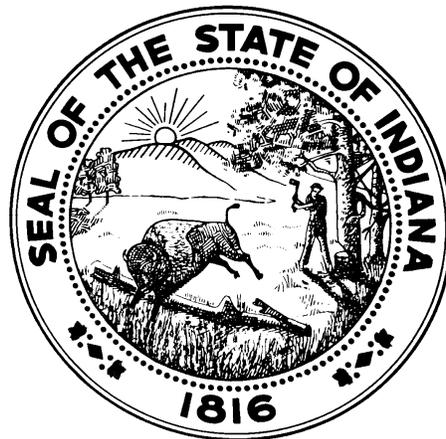
ANNUAL FINANCIAL REPORT

2008

WATER AND WASTEWATER UTILITIES

CITY OF ANGOLA

STEBEN COUNTY, INDIANA



FILED
10/05/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Debra A. Twitchell	01-01-08 to 12-31-11
Mayor	Richard M. Hickman	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Richard M. Hickman	01-01-08 to 12-31-11
President of the Common Council	Richard M. Hickman	01-01-08 to 12-31-11
Superintendent of Water Utility	Daniel D. Olis	01-01-08 to 12-31-09
Superintendent Wastewater Utility	Craig Williams	01-01-08 to 12-31-09



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AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE WATER AND WASTEWATER UTILITIES,
CITY OF ANGOLA, STEUBEN COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Water and Wastewater Utilities (Utilities), departments of the City of Angola, as of and for the year ended December 31, 2008. These financial statements are the responsibility of the Utilities' 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.

As discussed in Note I, the financial statements of the Water and Wastewater Utilities, City of Angola, are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Utilities. They do not purport to, and do not, present fairly the financial position of the City of Angola as of December 31, 2008, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities for the Water and Wastewater Utilities, as of December 31, 2008, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements, but is 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.

Management has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of the basic financial statements.

STATE BOARD OF ACCOUNTS

September 8, 2009

WATER AND WASTEWATER UTILITIES
CITY OF ANGOLA
STATEMENT OF NET ASSETS
December 31, 2008

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
Current assets:		
Cash and cash equivalents	\$ 187,568	\$ 305,485
Accounts receivable (net of allowance)	12,879	13,924
Accounts receivable - other	5,521	193
Inventories	90,841	19,177
Prepaid items	<u>2,571</u>	<u>4,571</u>
 Total current assets	 <u>299,380</u>	 <u>343,350</u>
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Depreciation cash and investments	978,024	344,701
Bond and interest cash and investments	183,658	5
Debt service reserve cash and cash equivalents	312,631	778,884
Construction cash and investments	565,487	-
Customer deposits	42,910	-
Interest receivable	<u>1,817</u>	<u>487</u>
 Total restricted assets	 <u>2,084,527</u>	 <u>1,124,077</u>
Deferred charges	<u>130,383</u>	<u>160,646</u>
Capital assets:		
Land, improvements to land and construction in progress	84,253	39,853
Other capital assets (net of accumulated depreciation)	<u>9,032,884</u>	<u>17,127,931</u>
 Total capital assets	 <u>9,117,137</u>	 <u>17,167,784</u>
 Total noncurrent assets	 <u>11,332,047</u>	 <u>18,452,507</u>
 Total assets	 <u>11,631,427</u>	 <u>18,795,857</u>
 <u>Liabilities</u>		
Current liabilities:		
Accounts payable	6,506	46,533
Accrued wages payable	27,951	34,756
Taxes payable	5,341	-
Compensated absences	9,169	12,297
Current liabilities payable from restricted assets:		
Customer deposits	42,910	-
Revenue bonds payable	235,000	-
Accrued interest payable	<u>85,554</u>	<u>-</u>
 Total current liabilities	 <u>412,431</u>	 <u>93,586</u>
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts or premiums and deferred amount on refunding)	4,277,928	3,842,709
Loans payable	-	3,440,000
Compensated absences	<u>4,493</u>	<u>2,287</u>
 Total noncurrent liabilities	 <u>4,282,421</u>	 <u>7,284,996</u>
 Total liabilities	 <u>4,694,852</u>	 <u>7,378,582</u>
 <u>Net Assets</u>		
Invested in capital assets, net of related debt	5,300,079	10,045,721
Restricted for debt service	496,289	778,889
Restricted for construction and improvements	978,024	344,701
Unrestricted	<u>162,183</u>	<u>247,964</u>
 Total net assets	 <u>\$ 6,936,575</u>	 <u>\$ 11,417,275</u>

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

WATER AND WASTEWATER UTILITIES
CITY OF ANGOLA
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2008

	Water Utility	Wastewater Utility
Operating revenues:		
Metered water revenue	\$ 1,135,328	\$ -
Measured revenue:		
Wastewater	-	1,873,195
Storm Water	-	147,438
Fire protection revenue	412,772	-
Penalties	7,527	30,236
Tap and connection fees	107,396	142,178
Other	63,977	153,364
 Total operating revenues	 1,727,000	 2,346,411
Operating expenses:		
Source of supply and expense - operations and maintenance	101,341	-
Water treatment expense - operations and maintenance	265,143	-
Transmission and distribution	265,672	-
Collection system - operations and maintenance	-	177,665
Pumping - operations and maintenance	-	249,401
Treatment and disposal - operations and maintenance	-	502,310
Customer accounts	62,189	64,603
Administration and general	327,039	316,941
Sludge removal	-	30,794
Depreciation	195,572	732,175
Miscellaneous expenses	1,512	-
 Total operating expenses	 1,218,468	 2,073,889
 Operating income	 508,532	 272,522
Nonoperating revenues (expenses):		
Interest and investment revenue	65,402	47,256
Loss on disposal of assets	(144,581)	(215,375)
Interest expense	(213,927)	(311,527)
Amortization of bond issue costs	(8,687)	(11,866)
Miscellaneous income	27,256	1,997
 Total nonoperating revenues (expenses)	 (274,537)	 (489,515)
 Income (loss) before contributions	 233,995	 (216,993)
Capital contributions	50,250	-
 Change in net assets before cumulative effect of change in accounting estimate	 284,245	 (216,993)
Cumulative effect of change in accounting estimate (See Note II.B.)	165,018	614,911
 Change in net assets after cumulative effect of change in accounting estimate	 449,263	 397,918
Total net assets - beginning	6,487,312	11,019,357
Total net assets - ending	\$ 6,936,575	\$ 11,417,275

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

WATER AND WASTEWATER UTILITIES
CITY OF ANGOLA
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Year Ended December 31, 2008

	<u>Water Utility</u>	<u>Wastewater Utility</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,724,454	\$ 3,192,570
Payments to suppliers and contractors	(393,000)	(1,307,086)
Payments to employees	<u>(661,582)</u>	<u>(842,969)</u>
Net cash provided by operating activities	<u>669,872</u>	<u>1,042,515</u>
Cash flows from capital and related financing activities:		
Capital contributions	293,619	-
Acquisition and construction of capital assets	(1,664,877)	(406,577)
Principal paid on capital debt	(215,000)	(425,000)
Interest paid on capital debt	<u>(214,828)</u>	<u>(306,371)</u>
Net cash used by capital and related financing activities	<u>(1,801,086)</u>	<u>(1,137,948)</u>
Cash flows from investing activities:		
Interest received	<u>72,813</u>	<u>47,902</u>
Net decrease in cash and cash equivalents	(1,058,401)	(47,531)
Cash and cash equivalents, January 1	<u>3,328,679</u>	<u>1,476,606</u>
Cash and cash equivalents, December 31	<u>\$ 2,270,278</u>	<u>\$ 1,429,075</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<u>\$ 508,532</u>	<u>\$ 272,522</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	195,572	732,175
(Increase) in assets:		
Accounts receivable	(2,546)	(2,447)
Inventories	(1,846)	4,172
Prepaid items	(306)	(824)
Increase (decrease) in liabilities:		
Accounts payable	(37,219)	31,280
Accrued wages payable	5,573	5,338
Taxes payable	(312)	-
Compensated absence payable	449	299
Customer deposits	<u>1,975</u>	<u>-</u>
Total adjustments	<u>161,340</u>	<u>769,993</u>
Net cash provided by operating activities	<u>\$ 669,872</u>	<u>\$ 1,042,515</u>

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

WATER AND WASTEWATER UTILITY
CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the Utilities and are not intended to present fairly the position of the City of Angola (City), and the results of its operations and cash flows of its enterprise funds. The Utilities, whose operations are controlled by the City, represent a substantial portion of the City's enterprise funds.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses, and Other Changes in Fund Net Assets; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

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

The accounts of the business-type activity are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. The activity has been classified Class A, requiring full accrual accounting records, by the National Association of Regulatory Utility Commissioners.

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 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.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

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

State statute (IC 5-13-9) authorizes the Utilities to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

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

2. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method.

WATER AND WASTEWATER UTILITY
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 both government-wide and fund financial statements.

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Assets since their use is limited by applicable bond indentures or governing body action.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the Statement of Net Assets.

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

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 5,000	Straight-line	10 to 100 yrs.
Infrastructure	5,000	Straight-line	10 to 100 yrs.
Improvement other than buildings	5,000	Straight-line	10 to 100 yrs.
Machinery and equipment	5,000	Straight-line	5 to 50 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. The total interest expense incurred by the Water Utility during the current year was \$213,928.

5. Compensated Absences

- a. Sick Leave – The employees of the Utilities earn sick leave at the rate of 1 day per month. Unused sick leave may be accumulated to a maximum of 90 days. Accumulated sick leave is paid to employees through cash payments upon termination.
- b. Vacation Leave – The employees of the Utilities 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 employee's anniversary date. Accumulated vacation leave is paid to employees through cash payments upon termination.

WATER AND WASTEWATER UTILITY
CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Vacation and sick leave are accrued when incurred.

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. 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 bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

II. Detailed Notes on All Funds

A. Deposits and Investments

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 5-13-18-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Utilities do not have a deposit policy for custodial risk. At December 31, 2008, the Utilities had deposit balances in the amount of \$3,699,353. 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.

B. Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 50,000	\$ 6,533	\$ -	\$ 56,533
Construction in progress	<u>2,226,397</u>	<u>683,859</u>	<u>2,882,536</u>	<u>27,720</u>
 Total capital assets, not being depreciated	 <u>2,276,397</u>	 <u>690,392</u>	 <u>2,882,536</u>	 <u>84,253</u>
Capital assets, being depreciated:				
Buildings	2,096,216	1,613,812	154,648	3,555,380
Infrastructure	5,398,455	274,638	37,124	5,635,969
Improvements other than buildings	7,390	-	-	7,390
Machinery and equipment	<u>1,108,252</u>	<u>1,118,003</u>	<u>201,919</u>	<u>2,024,336</u>
 Totals	 <u>8,610,313</u>	 <u>3,006,453</u>	 <u>393,691</u>	 <u>11,223,075</u>

WATER AND WASTEWATER UTILITY
CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility (continued):				
Capital assets, being depreciated (continued):				
Less accumulated depreciation for:				
Buildings	499,723	45,665	124,275	421,113
Infrastructure	1,275,416	97,586	17,634	1,355,368
Improvements other than buildings	2,217	370	-	2,587
Machinery and equipment	466,373	51,951	107,201	411,123
Totals	2,243,729	195,572	249,110	2,190,191
Total capital assets, being depreciated, net				
	6,366,584	2,810,881	144,581	9,032,884
Total Water Utility capital assets, net	\$ 8,642,981	\$ 3,501,273	\$ 3,027,117	\$ 9,117,137
	Beginning Balance	Increases	Decreases	Ending Balance
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 26,625	\$ -	\$ -	\$ 26,625
Construction in progress	26,985	272,781	286,538	13,228
Total capital assets, not being depreciated				
	53,610	272,781	286,538	39,853
Capital assets, being depreciated:				
Buildings	6,964,342	8,614	9,104	6,963,852
Infrastructure	16,859,378	363,840	321,040	16,902,178
Improvements other than buildings	31,970	-	-	31,970
Machinery and equipment	1,982,929	67,241	180,331	1,869,839
Totals	25,838,619	439,695	510,475	25,767,839
Less accumulated depreciation for:				
Buildings	1,552,025	139,136	9,104	1,682,057
Infrastructure	5,744,822	486,890	131,884	6,099,828
Improvements other than buildings	11,232	1,599	-	12,831
Machinery and equipment	877,390	104,550	136,748	845,192
Totals	8,185,469	732,175	277,736	8,639,908
Total capital assets, being depreciated, net				
	17,653,150	(292,480)	232,739	17,127,931
Total Wastewater Utility capital assets, net	\$ 17,706,760	\$ (19,699)	\$ 519,277	\$ 17,167,784

WATER AND WASTEWATER UTILITY
CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

In 2008, the Utilities amended their capitalization policy. The Utilities were taking a full year of depreciation the first year placed in service; now they will capitalize after the first year. This change required a reduction in accumulated depreciation of each capital asset. Income for assets depreciated in first year of service was reported in the financial statements for the Water and Wastewater Utilities in the amount of \$165,018 and \$614,911, respectively.

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

Water	\$ 195,572
Wastewater	<u>732,175</u>
 Total depreciation expense	 <u>\$ 927,747</u>

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2008
Water Utility:		
Storage tank at I-69	<u>\$ 769,300</u>	<u>\$ 27,720</u>
Wastewater Utility:		
LS#21 MSD improvements	<u>\$ 22,500</u>	<u>\$ 13,228</u>

D. Long-Term Liabilities

1. Revenue Bonds

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

Purpose	Interest Rates	Balance at December 31, 2008	Premium (Discount) (Deferral of Loss on Refunding)	Revenue Bonds
1998 Waterworks revenue bonds	4.5% to 5%	\$ 1,300,000	\$ (18,529)	\$ 1,281,471
2002 Waterworks revenue bonds	4% to 5.2%	840,000	(13,543)	826,457
2007 Waterworks revenue bonds	4% to 4.5%	2,405,000	-	2,405,000
1997 Sewage works revenue bonds	5.3% to 5.375%	1,385,000	(17,200)	1,367,800
2004 Sewage works revenue and refund bonds	3% to 4.5%	<u>2,520,000</u>	<u>(45,091)</u>	<u>2,474,909</u>
Totals		<u>\$ 8,450,000</u>	<u>\$ (94,363)</u>	<u>\$ 8,355,637</u>

WATER AND WASTEWATER UTILITY
CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2009	\$ 235,000	\$ 205,778	\$ -	\$ 85,428
2010	235,000	195,838	330,000	164,622
2011	245,000	185,707	340,000	151,652
2012	260,000	175,095	355,000	137,859
2013	275,000	164,505	370,000	123,391
2014-2018	1,560,000	621,561	1,870,000	345,865
2019-2023	1,200,000	256,390	525,000	87,021
2024-2028	535,000	48,825	115,000	2,588
Totals	<u>\$ 4,545,000</u>	<u>\$ 1,853,699</u>	<u>\$ 3,905,000</u>	<u>\$ 1,098,426</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:

	Principal	Interest
2009	\$ -	\$ 60,200
2010	105,000	118,563
2011	110,000	114,800
2012	115,000	110,862
2013	120,000	106,750
2014-2018	1,110,000	408,538
2018-2021	<u>1,880,000</u>	<u>100,275</u>
Totals	<u>\$ 3,440,000</u>	<u>\$ 1,019,988</u>

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

WATER AND WASTEWATER UTILITY
CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds payable:					
Water Utility	\$ 4,760,000	\$ -	\$ 215,000	\$ 4,545,000	\$ 235,000
Wastewater Utility	<u>4,225,000</u>	<u>-</u>	<u>320,000</u>	<u>3,905,000</u>	<u>-</u>
Total revenue bonds payable	<u>8,985,000</u>	<u>-</u>	<u>535,000</u>	<u>8,450,000</u>	<u>235,000</u>
Loan payable:					
Wastewater Utility	<u>3,545,000</u>	<u>-</u>	<u>105,000</u>	<u>3,440,000</u>	<u>-</u>
Compensated absences:					
Water Utility	13,213	9,651	9,202	\$ 13,662	9,169
Wastewater Utility	<u>14,285</u>	<u>12,405</u>	<u>12,106</u>	<u>14,584</u>	<u>12,297</u>
Total compensated absences	<u>27,498</u>	<u>22,056</u>	<u>21,308</u>	<u>28,246</u>	<u>21,466</u>
Total long-term liabilities	<u>\$ 12,557,498</u>	<u>\$ 22,056</u>	<u>\$ 661,308</u>	<u>\$ 11,918,246</u>	<u>\$ 256,466</u>

E. Restricted Assets

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

	<u>Water Utility</u>	<u>Wastewater Utility</u>
Depreciation	\$ 978,024	\$ 344,701
Bond and interest	183,658	5
Debt service reserve	312,631	778,884
Construction	565,487	-
Customer deposits	42,910	-
Interest receivable	<u>1,817</u>	<u>487</u>
Total restricted assets	<u>\$ 2,084,527</u>	<u>\$ 1,124,077</u>

III. Other Information

A. Risk Management

The Utilities are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

WATER AND WASTEWATER UTILITY
CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 Utilities have 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.

Workers' Compensation

During 2003, the City, including the Utilities, 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 Utilities pay an annual premium to the risk pool for its workers' compensation 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. Rate Structure

1. Water Utility

On August 3, 1992, the City Council adopted Ordinance 883 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on January 2, 2007. The Utility has 2,851 customers.

2. Wastewater Utility

The current rate structure was approved by the Utility on July 5, 2006. The Utility has 2,900 customers.

C. Pension Plan

Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The City, including the Utilities, contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. 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

WATER AND WASTEWATER UTILITY
CITY OF ANGOLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Utility authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at three percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the City as a whole and is not presented as an asset/liability of the proprietary funds.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 171,142
Interest on net pension obligation	(8,951)
Adjustment to annual required contribution	10,201
Annual pension cost	172,392
Contributions made	182,988
Decrease in net pension obligation	(10,596)
Net pension obligation, beginning of year	(123,466)
Net pension obligation, end of year	\$ (134,062)

WATER AND WASTEWATER UTILITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF
Contribution rates:	
Utilities	6.75%
Plan members	3%
Actuarial valuation date	07-01-08
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

<u>Actuarial Assumptions</u>	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 161,510	94%	\$ (116,611)
	06-30-07	154,451	104%	(123,466)
	06-30-08	172,392	106%	(134,062)

WATER AND WASTEWATER UTILITIES
CITY OF ANGOLA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Public Employee's Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
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%)
07-01-08	2,618,071	3,069,020	(450,949)	85%	2,763,721	(16%)

WATER AND WASTEWATER UTILITY
CITY OF ANGOLA
EXIT CONFERENCE

The contents of this report were discussed on September 8, 2009, with Debra A. Twitchell, Clerk-Treasurer; and Richard M. Hickman, Mayor. Our audit disclosed no material items that warrant comment at this time.