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

EXAMINATION REPORT
OF
WATER AND WASTEWATER UTILITIES
CITY OF ANGOLA
STEUBEN COUNTY, INDIANA

January 1, 2009 to December 31, 2009



FILED
08/10/2010

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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	01-01-09 to 12-31-11
Superintendent of Wastewater Utility	Craig Williams	01-01-09 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statements of the business-type activities of the Water and Wastewater Utilities, departments of the City of Angola, as of and for the year ended December 31, 2009. The Utilities' management is responsible for the financial statements presented herein. Our responsibility is to express an opinion based on our examination.

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

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, 2009, 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, 2009, 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 examine the information and express no opinion on it.

The Utilities' 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 part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

July 7, 2010

WATER AND WASTEWATER UTILITIES
CITY OF ANGOLA
STATEMENT OF NET ASSETS
December 31, 2009

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
Current assets:		
Cash and cash equivalents	\$ 173,042	\$ 237,926
Accounts receivable (net of allowance)	14,543	18,508
Accounts receivable - other	8,170	4,864
Inventories	86,136	21,778
Prepaid items	<u>2,777</u>	<u>2,777</u>
Total current assets	<u>284,668</u>	<u>285,853</u>
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Depreciation cash and investments	756,316	169,197
Bond and interest cash and investments	532,614	1,443,200
Construction cash and investments	143,450	3,500,299
SRF county contribution	-	2,000,171
Customer deposits	<u>44,805</u>	<u>-</u>
Total restricted assets	<u>1,477,185</u>	<u>7,112,867</u>
Deferred charges	<u>121,696</u>	<u>229,033</u>
Capital assets:		
Land, improvements to land and construction in progress	678,259	280,315
Other capital assets (net of accumulated depreciation)	<u>8,925,193</u>	<u>16,645,981</u>
Total capital assets	<u>9,603,452</u>	<u>16,926,296</u>
Total noncurrent assets	<u>11,202,333</u>	<u>24,268,196</u>
Total assets	<u>11,487,001</u>	<u>24,554,049</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	27,804	15,021
Accrued wages payable	10,906	12,903
Taxes payable	5,569	-
Compensated absences	12,231	11,600
Current liabilities payable from restricted assets:		
Accounts payable	6,546	15,183
Customer deposits	44,805	-
Revenue bonds payable	235,000	330,000
Loans payable	-	160,000
Accrued interest payable	<u>81,422</u>	<u>145,628</u>
Total current liabilities	<u>424,283</u>	<u>690,335</u>
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	4,045,790	3,517,865
Loans payable	-	6,835,000
IDEM payable	-	2,000,000
2009 forgivable taxable BANs, Series A	-	211,258
Compensated absences	<u>4,374</u>	<u>2,372</u>
Total noncurrent liabilities	<u>4,050,164</u>	<u>12,566,495</u>
Total liabilities	<u>4,474,447</u>	<u>13,256,830</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	5,322,662	5,872,173
Restricted for debt service	532,614	1,443,200
Restricted for construction and improvements	899,766	3,669,667
Unrestricted	<u>257,512</u>	<u>312,179</u>
Total net assets	<u>\$ 7,012,554</u>	<u>\$ 11,297,219</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, 2009

	Water Utility	Wastewater Utility
Operating revenues:		
Metered water revenue	\$ 1,126,910	\$ -
Measured revenue:		
Wastewater	-	1,984,078
Storm Water	-	148,565
Fire protection revenue	429,547	-
Penalties	7,228	30,266
Tap and connection fees	32,955	47,750
Other	44,631	26,570
	<u>1,641,271</u>	<u>2,237,229</u>
Total operating revenues		
Operating expenses:		
Source of supply and expense - operations and maintenance	129,020	-
Water treatment expense - operations and maintenance	268,993	-
Transmission and distribution	314,673	-
Collection system - operations and maintenance	-	310,504
Pumping - operations and maintenance	-	126,739
Treatment and disposal - operations and maintenance	-	482,957
Customer accounts	75,415	79,757
Administration and general	360,881	351,144
Depreciation	275,709	771,273
Sludge removal	-	13,145
Miscellaneous expenses	30	-
	<u>1,424,721</u>	<u>2,135,519</u>
Total operating expenses		
Operating income	<u>216,550</u>	<u>101,710</u>
Nonoperating revenues (expenses):		
Interest and investment revenue	16,441	12,308
Gain on disposal of assets	13,091	1,026
Interest expense	(204,507)	(296,412)
Amortization of bond issue costs	(8,687)	(11,866)
	<u>(183,662)</u>	<u>(294,944)</u>
Total nonoperating revenues (expenses)		
Income (loss) before contributions and transfers	32,888	(193,234)
Capital contributions	43,091	73,178
Change in net assets	75,979	(120,056)
Total net assets - beginning	<u>6,936,575</u>	<u>11,417,275</u>
Total net assets - ending	<u>\$ 7,012,554</u>	<u>\$ 11,297,219</u>

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, 2009

	Water Utility	Wastewater Utility
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,636,959	\$ 2,227,974
Payments to suppliers and contractors	(611,506)	(778,126)
Payments to employees	(517,143)	(625,721)
Other receipts	5,000	-
	<u>513,310</u>	<u>824,127</u>
Net cash provided by operating activities		
Cash flows from noncapital activities:		
SRF County Contribution proceeds	-	2,000,000
	<u>-</u>	<u>2,000,000</u>
Cash flows from capital and related financing activities:		
Proceeds from capital debt	-	3,766,258
Acquisition and construction of capital assets	(710,842)	(455,581)
Principal paid on capital debt	(235,000)	-
Interest paid on capital debt	(205,777)	(145,628)
Bond issue costs	-	(80,253)
	<u>(1,151,619)</u>	<u>3,084,796</u>
Net cash provided (used) by capital and related financing activities		
Cash flows from investing activities:		
Interest received	18,258	12,795
	<u>18,258</u>	<u>12,795</u>
Net increase (decrease) in cash and cash equivalents	(620,051)	5,921,718
Cash and cash equivalents, January 1	<u>2,270,278</u>	<u>1,429,075</u>
Cash and cash equivalents, December 31	<u>\$ 1,650,227</u>	<u>\$ 7,350,793</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$ 216,550	\$ 101,710
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	275,709	771,273
Other miscellaneous income	5,000	-
(Increase) decrease in assets:		
Accounts receivable	(1,664)	(4,584)
Other receivable	(2,649)	(4,671)
Inventories	4,705	(2,601)
Prepaid items	(206)	1,794
Increase (decrease) in liabilities:		
Accounts payable	27,844	(16,329)
Accrued wages payable	(17,045)	(21,853)
Taxes payable	228	-
Compensated absence payable	2,943	(612)
Customer deposits	1,895	-
	<u>296,760</u>	<u>722,417</u>
Total adjustments		
Net cash provided by operating activities	<u>\$ 513,310</u>	<u>\$ 824,127</u>
Noncash investing, capital and financing activities:		
Contributions of capital assets from City	\$ -	\$ 12,015
Contributions of capital assets from developers	43,091	106,683
Capital asset trade-ins	8,091	-

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

WATER AND WASTEWATER UTILITIES
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, represents 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.

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 Utilities have elected not to follow subsequent private-sector guidance.

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

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

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

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

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. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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 funds revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets balance sheet because they are maintained in separate funds and/or bank accounts and their use is limited by applicable bond covenants.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements.

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 5,000	Straight-line	10 to 100 yrs.
Infrastructure	5,000	Straight-Line	10 to 100 yrs.
Improvements 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.

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

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 and Wastewater Utility during the current year was \$204,507 and \$296,412, respectively. Of these amounts, nothing was included as part of the cost of capital assets under construction.

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 may not be accumulated beyond the employee's anniversary date. Accumulated vacation leave is paid to employees through cash payments upon termination.
- 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 is 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 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Utilities do not have a deposit policy for custodial credit risk. At December 31, 2009, the Water Utility and the Wastewater Utility had deposit balances in the amount of \$1,650,227 and \$7,350,793, respectively.

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, 2009, was as follows:

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

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 56,533	\$ -	\$ -	\$ 56,533
Construction in progress	27,720	594,006	-	621,726
Total capital assets, not being depreciated	84,253	594,006	-	678,259
Capital assets, being depreciated:				
Buildings	3,555,380	23,967	-	3,579,347
Infrastructure	7,390	-	-	7,390
Improvements other than buildings	5,635,969	90,289	-	5,726,258
Machinery and equipment	2,024,336	53,762	35,100	2,042,998
Totals	11,223,075	168,018	35,100	11,355,993
Less accumulated depreciation for:				
Buildings	(421,113)	(97,537)	-	(518,650)
Infrastructure	(2,587)	(369)	-	(2,956)
Improvements other than buildings	(1,355,368)	(117,218)	-	(1,472,586)
Machinery and equipment	(411,123)	(60,585)	(35,100)	(436,608)
Totals	(2,190,191)	(275,709)	(35,100)	(2,430,800)
Total capital assets, being depreciated, net	9,032,884	(107,691)	-	8,925,193
Total water utility capital assets, net	\$ 9,117,137	\$ 486,315	\$ -	\$ 9,603,452
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 26,625	\$ -	\$ -	\$ 26,625
Construction in progress	13,228	255,449	14,987	253,690
Total capital assets, not being depreciated	39,853	255,449	14,987	280,315
Capital assets, being depreciated:				
Buildings	6,963,852	-	6,449	6,957,403
Infrastructure	16,902,178	221,482	48,000	17,075,660
Improvements other than buildings	31,970	53,961	-	85,931
Machinery and equipment	1,869,839	84,213	18,364	1,935,688
Totals	25,767,839	359,656	72,813	26,054,682
Less accumulated depreciation for:				
Buildings	(1,682,057)	(138,185)	-	(1,820,242)
Infrastructure	(6,099,828)	(495,986)	(2,480)	(6,593,334)
Improvements other than buildings	(12,831)	(1,599)	-	(14,430)
Machinery and equipment	(845,192)	(135,503)	-	(980,695)
Totals	(8,639,908)	(771,273)	(2,480)	(9,408,701)
Total capital assets, being depreciated, net	17,127,931	(411,617)	70,333	16,645,981
Total wastewater utility capital assets, net	\$ 17,167,784	\$ (156,168)	\$ 85,320	\$ 16,926,296

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

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

	2009
Water	\$ 275,709
Wastewater	771,273
Total depreciation expense	\$ 1,046,982

C. Construction Commitments

Construction work in progress is composed of the following:

	2009	
Project	Expended to December 31,	Committed
Water Utility:		
Storage tank at I-69	\$ 617,653	\$ 769,300
Parking lot	4,073	5,800
Totals	\$ 621,726	\$ 775,100
Wastewater Utility:		
Aeration System, Baffle & Blower	\$ 163,240	\$ 490,000
Collection system & LS rehab	49,441	936,003
SCADA system upgrade	33,635	33,635
LS#21 MSD improvements	7,374	22,500
Totals	\$ 253,690	\$ 1,482,138

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:

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

Purpose	Interest Rates	Balance at December 31	Less: Unamortized (Premium) Discount	Less: Deferral on Refunding	Amount
1998 Waterworks revenue bonds	4.65% to 5%	\$ 1,210,000	\$ 16,844	\$ -	\$ 1,193,156
2002 Waterworks revenue bonds	4.25% to 5.2%	790,000	12,366	-	777,634
2007 Waterworks revenue bonds	4% to 4.5%	2,310,000	-	-	2,310,000
1997 Sewage works revenue bonds	5.3% to 5.375%	1,385,000	15,050	-	1,369,950
2004 Sewage works revenue and refund bonds	3.25% to 4.5%	<u>2,520,000</u>	<u>(31,500)</u>	<u>73,585</u>	<u>2,477,915</u>
Totals		<u>\$ 8,215,000</u>	<u>\$ 12,760</u>	<u>\$ 73,585</u>	<u>\$ 8,128,655</u>

Revenue bonds debt service requirements to maturity are as follows:

	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2010	\$ 235,000	\$ 195,838	\$ 330,000	\$ 164,622
2011	245,000	185,707	340,000	151,653
2012	260,000	175,095	355,000	137,860
2013	275,000	164,505	370,000	123,391
2014	285,000	151,395	390,000	107,999
2015-2019	1,630,000	549,661	1,575,000	264,371
2020-2024	1,015,000	200,970	545,000	63,112
2025-2029	<u>365,000</u>	<u>24,750</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 4,310,000</u>	<u>\$ 1,647,921</u>	<u>\$ 3,905,000</u>	<u>\$ 1,013,008</u>

2. Loans 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. Annual debt service requirements to maturity for loans, including interest of \$1,009,928, are as follows:

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

	<u>2000 SRF Loan</u>		<u>2009 SRF Loan</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2010	\$ 105,000	\$ 118,563	\$ 55,000
2011	110,000	114,800	175,000
2012	115,000	110,862	175,000
2013	120,000	106,750	175,000
2014	125,000	102,463	175,000
2015-2019	1,590,000	411,427	875,000
2020-2024	1,275,000	45,063	875,000
2025-2029	-	-	875,000
2030	-	-	175,000
Totals	<u>\$ 3,440,000</u>	<u>\$ 1,009,928</u>	<u>\$ 3,555,000</u>

The 2009 SRF Loan is a 0% interest loan. Drawdowns from this loan were \$55,000 at December 31, 2009.

3. IDEM Payable

Under the terms of the Indiana Department of Environmental Management Dana Corporation Weatherhead Facility Site Remediation Project contributions of \$1,000,000 from Univertical Corporation and \$1,000,000 from Steuben County are deposited in the City's name in the Bank of New York and recorded as a payable to IDEM on the Wastewater Utility records.

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009, was as follows:

<u>2009</u>	<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	\$ 4,545,000	\$ -	\$ 235,000	\$ 4,310,000	\$ 235,000
Wastewater Utility	3,905,000	-	-	3,905,000	330,000
Total revenue bonds payable	<u>8,450,000</u>	<u>-</u>	<u>235,000</u>	<u>8,215,000</u>	<u>565,000</u>
Loans payable:					
Wastewater Utility	3,440,000	3,555,000	-	6,995,000	160,000
IDEM payable:					
Wastewater Utility	-	2,000,000	-	2,000,000	-
Compensated absences:					
Water Utility	13,662	12,112	9,169	16,605	12,231
Wastewater Utility	14,584	11,685	12,297	13,972	11,600
Total compensated absences	<u>28,246</u>	<u>23,797</u>	<u>21,466</u>	<u>30,577</u>	<u>23,831</u>
Total long-term liabilities	<u>\$ 11,918,246</u>	<u>\$ 5,578,797</u>	<u>\$ 256,466</u>	<u>\$ 17,240,577</u>	<u>\$ 748,831</u>

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

E. Restricted Assets

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

	Water Utility	Wastewater Utility	
Depreciation	\$ 756,316	\$ 169,197	
Bond and interest	532,614	1,443,200	
Construction	143,450	3,500,299	
SRF county contribution	-	2,000,171	
Customer deposits	44,805	-	
 Total restricted assets	 \$ 1,477,185	 \$ 7,112,867	

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.

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 City, including the Utilities, 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 \$30,000 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.

However, claim liabilities cannot be reasonably estimated.

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

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. Remediation

The Indiana Department of Environmental Management Dana Corporation Weatherhead Facility Site Remediation Project is being completed by Indiana Department of Environmental Management (IDEM) for \$5,555,000. These funds are being provided by a City \$3,555,000 SRF Loan and contributions of \$1,000,000 from Univertical Corporation and \$1,000,000 from Steuben County. These restricted funds are being held in the City's name with the Bank of New York and recorded as payables on the Wastewater Utility records.

C. 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 February 5, 2007. The Utility has 3,082 customers.

2. Wastewater Utility

The current rate structure was approved by the Council on August 24, 2009. The Utility has 2,895 customers.

D. 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 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

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

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

PERF members are required to contribute 3 percent of their annual covered salary. The City, including the Utilities, is required to contribute at an actuarially determined rate; the current rate is 7 percent of annual covered payroll. The contribution requirements of plan members and the City, including the Utilities, are established and may be amended by the PERF Board of Trustees.

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.

Annual Pension Cost

For 2009, the City's, including the Utilities', annual pension cost of \$192,268 for PERF was equal to the City's, including the Utilities', required and actual contributions.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 193,460
Interest on net pension obligation	(9,719)
Adjustment to annual required contribution	11,076
Annual pension cost	194,817
Contributions made	192,268
Increase in net pension obligation	2,549
Net pension obligation, beginning of year	(134,062)
Net pension obligation, end of year	\$ (131,513)

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

	PERF
Contribution rates:	
Government	7%
Plan members	3%
Actuarial valuation date	07-01-09
Actuarial cost method	Entry age normal cost
Amortization method	Level dollar, closed amortization period
Amortization period	30 years
Amortization period (from date)	07-01-07
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	4.00%
Cost-of-living adjustments	1.50%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-07	\$ 154,451	104%	\$ (123,466)
	06-30-08	172,392	106%	(134,062)
	06-30-09	194,817	99%	(131,513)

Funded Status and Funding Progress for the Above Plan

The funded status of each plan as of July 1, 2009, the most recent actuarial valuation date is as follows:

Retirement Plan	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
PERF	\$ 2,862,286	\$ 3,484,969	\$ (622,683)	82%	\$ 2,914,979	(21.4%)

The schedule of funding progress, presented as RSI for the above plans following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
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%)
07-01-09	2,862,286	3,484,969	(622,683)	82%	2,914,979	(21%)

WATER AND WASTEWATER UTILITIES
CITY OF ANGOLA
EXIT CONFERENCE

The contents of this report were discussed on July 7, 2010, with Debra A Twitchell, Clerk-Treasurer; Richard M. Hickman, Mayor; and Tammy Onofrietti, Deputy Clerk. Our examination disclosed no material items that warrant comment at this time.