

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, 2011 to December 31, 2011



FILED
05/11/2012

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Debra A. Twitchell	01-01-08 to 12-31-15
Mayor	Richard M. Hickman	01-01-08 to 12-31-15
President of the Board of Public Works and Safety	Richard M. Hickman	01-01-11 to 12-31-12
President of the Common Council	Richard M. Hickman	01-01-11 to 12-31-12
Superintendent of Water Utility	Daniel D. Olis	01-01-11 to 12-31-12
Superintendent of Wastewater Utility	Craig Williams	01-01-11 to 12-31-12



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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, 2011. The Utilities' management is responsible for the financial statements. Our responsibility is to express opinions 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 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, 2011, 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, 2011, 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 Water and Wastewater Utilities have not presented Management's Discussion and Analysis 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.

STATE BOARD OF ACCOUNTS

April 17, 2012

WATER AND WASTEWATER UTILITIES
CITY OF ANGOLA
STATEMENT OF NET ASSETS
December 31, 2011

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
Current assets:		
Cash and cash equivalents	\$ 156,088	\$ 249,107
Accounts receivable (net of allowance)	11,192	5,324
Accounts receivable - other	2,126	6,141
Inventories	68,814	26,977
Prepaid items	<u>2,658</u>	<u>2,658</u>
Total current assets	<u>240,878</u>	<u>290,207</u>
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Depreciation cash and investments	632,284	269,269
Bond and interest cash and investments	615,322	717,981
Construction cash and investments	-	2,486,860
Customer deposits	46,490	-
Interest receivable	<u>590</u>	<u>-</u>
Total restricted assets	<u>1,294,686</u>	<u>3,474,110</u>
Deferred charges	<u>104,322</u>	<u>183,135</u>
Capital assets:		
Land, improvements to land and construction in progress	59,637	151,780
Other capital assets (net of accumulated depreciation)	<u>9,267,687</u>	<u>17,372,824</u>
Total capital assets	<u>9,327,324</u>	<u>17,524,604</u>
Total noncurrent assets	<u>10,726,332</u>	<u>21,181,849</u>
Total assets	<u>10,967,210</u>	<u>21,472,056</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	27,164	22,180
Accrued wages payable	15,758	19,872
Taxes payable	5,839	-
Compensated absences	18,566	16,970
Current liabilities payable from restricted assets:		
Accounts payable	-	8,441
Customer deposits	46,490	-
Revenue bonds payable	260,000	170,000
Loans payable	-	87,500
Accrued interest payable	<u>72,798</u>	<u>-</u>
Total current liabilities	<u>446,615</u>	<u>324,963</u>
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	3,546,515	3,820,551
Loans payable	-	3,062,500
2009 forgivable taxable BANs, Series A	-	1,434,087
Compensated absences	<u>5,993</u>	<u>3,704</u>
Total noncurrent liabilities	<u>3,552,508</u>	<u>8,320,842</u>
Total liabilities	<u>3,999,123</u>	<u>8,645,805</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	5,520,809	8,949,966
Restricted for debt service	542,524	717,981
Restricted for construction and improvements	632,284	2,756,129
Unrestricted	<u>272,470</u>	<u>402,175</u>
Total net assets	<u>\$ 6,968,087</u>	<u>\$ 12,826,251</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, 2011

	<u>Water Utility</u>	<u>Wastewater Utility</u>
Operating revenues:		
Metered water revenue	\$ 1,106,140	\$ -
Measured revenue:		
Wastewater	-	1,991,861
Storm water	-	166,061
Fire protection revenue	429,864	-
Penalties	6,509	28,270
Other	<u>31,328</u>	<u>162,793</u>
 Total operating revenues	 <u>1,573,841</u>	 <u>2,348,985</u>
Operating expenses:		
Source of supply and expense - operations and maintenance	135,309	-
Water treatment expense - operations and maintenance	251,405	-
Transmission and distribution	314,469	-
Collection system - operations and maintenance	-	324,519
Pumping - operations and maintenance	-	111,381
Treatment and disposal - operations and maintenance	-	527,384
Customer accounts	74,360	75,471
Administration and general	346,284	345,047
Depreciation	270,223	784,547
Contractual services	<u>-</u>	<u>1,087,807</u>
 Total operating expenses	 <u>1,392,050</u>	 <u>3,256,156</u>
 Operating income (loss)	 <u>181,791</u>	 <u>(907,171)</u>
Nonoperating revenues (expenses):		
Interest and investment revenue	3,320	768
Miscellaneous revenue	39,636	-
Loss on disposal of assets	-	(10,219)
Interest expense	(184,159)	(156,462)
Amortization of bond issue costs	<u>(8,687)</u>	<u>(13,490)</u>
 Total nonoperating revenues (expenses)	 <u>(149,890)</u>	 <u>(179,403)</u>
 Income (loss) before contributions and transfers	 31,901	 (1,086,574)
Capital contributions	<u>7,265</u>	<u>262,783</u>
 Change in net assets	 39,166	 (823,791)
Total net assets - beginning	<u>6,928,921</u>	<u>13,650,042</u>
Total net assets - ending	<u>\$ 6,968,087</u>	<u>\$ 12,826,251</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
As Of And For The Year Ended December 31, 2011

	Water Utility	Wastewater Utility
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,572,603	\$ 2,351,359
Payments to suppliers and contractors	(605,544)	(1,811,631)
Payments to employees	(502,917)	(656,091)
Other receipts	39,636	-
	<u>503,778</u>	<u>(116,363)</u>
Net cash provided (used) by operating activities		
Cash flows from noncapital financing activities:		
SRF Contribution	-	(1,368,432)
	<u>-</u>	<u>(1,368,432)</u>
Cash flows from capital and related financing activities:		
Proceeds from capital debt	-	41,015
Capital contributions	3,265	79,990
Acquisition and construction of capital assets	(32,512)	(286,964)
Principal paid on capital debt	(245,000)	(690,000)
Interest paid on capital debt	(185,708)	(137,758)
	<u>(459,955)</u>	<u>(993,717)</u>
Net cash used by capital and related financing activities		
Cash flows from investing activities:		
Interest received	3,273	768
	<u>3,273</u>	<u>768</u>
Net increase (decrease) in cash and cash equivalents	47,096	(2,477,744)
Cash and cash equivalents, January 1	<u>1,403,088</u>	<u>6,200,961</u>
Cash and cash equivalents, December 31	<u>\$ 1,450,184</u>	<u>\$ 3,723,217</u>
Reconciliation of cash and cash equivalents:		
Unrestricted cash and cash equivalents	\$ 156,088	\$ 249,107
Restricted cash and cash equivalents:		
Depreciation cash and investments	632,284	269,269
Bond and interest cash and investments	615,322	717,981
Construction cash and investments	-	2,486,860
Customer deposits	46,490	-
	<u>1,450,184</u>	<u>3,723,217</u>
Cash and cash equivalents, December 31	<u>\$ 1,450,184</u>	<u>\$ 3,723,217</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 181,791	\$ (907,171)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	270,223	784,547
Other miscellaneous income	39,636	-
(Increase) decrease in assets:		
Accounts receivable	(1,238)	2,374
Inventories	10,257	(4,536)
Prepaid items	(195)	(195)
Increase (decrease) in liabilities:		
Accounts payable	(1,364)	1,879
Accrued wages payable	2,480	4,047
Taxes payable	501	-
Compensated absence payable	3,967	2,692
Customer deposits	(2,280)	-
	<u>321,987</u>	<u>790,808</u>
Total adjustments		
Net cash provided (used) by operating activities	<u>\$ 503,778</u>	<u>\$ (116,363)</u>
Noncash investing, capital and financing activities:		
Contributions of capital assets from developers	\$ 4,000	-
Contributions of capital assets from government	-	161,234
Contributions from City	-	21,559
Capital asset trade-ins	-	20,167

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, 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 Utilities 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 non-operating 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 non-operating 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.

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.

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

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.

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 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.

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 \$184,159 and \$156,462, respectively. Of these amounts, nothing was included as part of the cost of capital assets under construction.

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

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.

7. Restricted Net Assets

The financial statement reports \$1,174,808 and \$3,474,110 of restricted assets for the Water Utility and Wastewater Utility, respectively, of which all is restricted by enabling legislation.

II. Detailed Notes on All Funds

A. Deposits and Investments

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 Utilities do not have a deposit policy for custodial credit risk. At December 31, 2011, the Water Utility and Wastewater Utility had deposit balances in the amount of \$1,450,184 and \$3,723,217, 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, 2011, was as follows:

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

<u>Water Utility</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 56,533	\$ -	\$ -	\$ 56,533
Construction in progress	834,302	4,740	835,938	3,104
Total capital assets, not being depreciated	890,835	4,740	835,938	59,637
Capital assets, being depreciated:				
Buildings	3,579,347	7,547	-	3,586,894
Infrastructure	5,833,631	841,804	-	6,675,435
Improvements other than buildings	7,390	-	-	7,390
Machinery and equipment	2,063,061	18,359	-	2,081,420
Totals	11,483,429	867,710	-	12,351,139
Less accumulated depreciation for:				
Buildings	(611,805)	(93,155)	-	(704,960)
Infrastructure	(1,588,310)	(117,928)	-	(1,706,238)
Improvements other than buildings	(3,326)	(369)	-	(3,695)
Machinery and equipment	(609,788)	(58,771)	-	(668,559)
Totals	(2,813,229)	(270,223)	-	(3,083,452)
Total capital assets, being depreciated, net	8,670,200	597,487	-	9,267,687
Total Water Utility capital assets, net	<u>\$ 9,561,035</u>	<u>\$ 602,227</u>	<u>\$ 835,938</u>	<u>\$ 9,327,324</u>
<u>Wastewater Utility</u>				
Capital assets, not being depreciated:				
Land	\$ 26,625	\$ -	\$ -	\$ 26,625
Construction in progress	557,822	183,376	616,043	125,155
Total capital assets, not being depreciated	584,447	183,376	616,043	151,780
Capital assets, being depreciated:				
Buildings	6,970,643	624,840	-	7,595,483
Infrastructure	18,285,315	226,495	-	18,511,810
Improvements other than buildings	85,931	-	-	85,931
Machinery and equipment	1,942,456	71,256	33,148	1,980,564
Totals	27,284,345	922,591	33,148	28,173,788
Less accumulated depreciation for:				
Buildings	(1,959,200)	(139,620)	-	(2,098,820)
Infrastructure	(7,086,664)	(522,754)	-	(7,609,418)
Improvements other than buildings	(18,726)	(4,296)	-	(23,022)
Machinery and equipment	(954,589)	(117,877)	(2,762)	(1,069,704)
Totals	(10,019,179)	(784,547)	(2,762)	(10,800,964)
Total capital assets, being depreciated, net	17,265,166	138,044	30,386	17,372,824
Total Wastewater Utility capital assets, net	<u>\$ 17,849,613</u>	<u>\$ 321,420</u>	<u>\$ 646,429</u>	<u>\$ 17,524,604</u>

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

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

	2011
Water	\$ 270,223
Wastewater	784,547
Total depreciation expense	\$ 1,054,770

C. Construction Commitments

Construction work in progress is composed of the following:

	2011	
Project	Expended to December 31,	Committed
Water Utility:		
WTP garage	\$ 3,104	\$ 3,104
Wastewater Utility:		
Aeration Header Project	\$ 66,976	\$ 66,976
Aeration MLSS-AMI in house	17,610	17,610
SE Public Square Storm water Improvements	2,800	2,800
Parking lot	37,769	37,769
Total Wastewater Utility	\$ 125,155	\$ 125,155

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
Water Utility:					
1998 Waterworks revenue bonds	4.7% to 5%	\$ 1,015,000	\$ 13,474	\$ -	\$ 1,001,526
2002 Waterworks revenue bonds	4.5% to 5.2%	700,000	10,011	-	689,989
2007 Waterworks revenue bonds	4% to 4.5%	<u>2,115,000</u>	<u>-</u>	<u>-</u>	<u>2,115,000</u>
Total for Water Utility		<u>3,830,000</u>	<u>23,485</u>	<u>-</u>	<u>3,806,515</u>
Wastewater Utility:					
2010 Sewage Works refunding revenue bonds, Series A	1.5% to 4.75%	<u>4,215,000</u>	<u>(5,326)</u>	<u>229,775</u>	<u>3,990,551</u>
Total for Wastewater Utility		<u>4,215,000</u>	<u>(5,326)</u>	<u>229,775</u>	<u>3,990,551</u>
Totals		<u>\$ 8,045,000</u>	<u>\$ 18,159</u>	<u>\$ 229,775</u>	<u>\$ 7,797,066</u>

Revenue bonds debt service requirements to maturity are as follows:

	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2012	\$ 260,000	\$ 175,095	\$ 170,000	\$ 67,710
2013	275,000	163,605	355,000	131,983
2014	285,000	151,395	360,000	125,595
2015	295,000	138,489	390,000	117,227
2016	310,000	125,090	435,000	106,300
2017-2021	1,550,000	393,486	2,205,000	297,600
2022-2026	<u>855,000</u>	<u>118,318</u>	<u>300,000</u>	<u>21,612</u>
Totals	<u>\$ 3,830,000</u>	<u>\$ 1,265,478</u>	<u>\$ 4,215,000</u>	<u>\$ 868,027</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 the loan as follows:

	Principal
2012	\$ 87,500
2013	175,000
2014	175,000
2015	175,000
2016	175,000
2017-2021	875,000
2022-2026	875,000
2027-2031	<u>612,500</u>
Total	<u>\$ 3,150,000</u>

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

The 2010 SRF Loan is a 0% interest loan. Draw downs from this loan were \$1,014,488 at December 31, 2011.

3. Advance Refunding

In prior years, the Wastewater Utility defeased certain revenue and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. The following outstanding bonds, at December 31, 2011, were considered defeased:

2011

\$ 2,020,000

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011, was as follows:

<u>2011</u>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable:					
Water Utility	\$ 4,075,000	\$ -	\$ 245,000	\$ 3,830,000	\$ 260,000
Wastewater Utility	<u>4,555,000</u>	<u>-</u>	<u>340,000</u>	<u>4,215,000</u>	<u>170,000</u>
Total revenue bonds payable	8,630,000	-	585,000	8,045,000	430,000
Loans payable:					
Wastewater Utility	<u>3,500,000</u>	<u>-</u>	<u>350,000</u>	<u>3,150,000</u>	<u>87,500</u>
Compensated absences:					
Water Utility	20,592	19,070	15,103	24,559	18,566
Wastewater Utility	<u>17,982</u>	<u>17,442</u>	<u>14,750</u>	<u>20,674</u>	<u>16,970</u>
Total compensated absences:	<u>38,574</u>	<u>36,512</u>	<u>29,853</u>	<u>45,233</u>	<u>35,536</u>
Total Long-term liabilities	<u>\$ 12,168,574</u>	<u>\$ 36,512</u>	<u>\$ 964,853</u>	<u>\$ 11,240,233</u>	<u>\$ 553,036</u>

E. Restricted Assets

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

	Water Utility	Wastewater Utility
Depreciation	\$ 632,284	\$ 269,269
Bond and interest	615,322	717,981
Construction	-	2,486,860
Customer deposits	46,490	-
Interest receivable	<u>590</u>	<u>-</u>
Total restricted assets	<u>\$ 1,294,686</u>	<u>\$ 3,474,110</u>

WATER AND WASTEWATER UTILITIES
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F. Revenues Pledged

Water Utility Revenues Pledged

The Utility has pledged future water revenues, net of specified operating expenditures, to repay revenue bonds issued in 1998, 2002, and 2007. Proceeds from the bonds provided financing for improvements and extensions to the Waterworks Utility. The bonds are payable solely from water net revenues and are payable through 2019, 2020, and 2023, respectively. Annual principal and interest on the bonds are expected to require less than 28 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$5,095,478. Principal and interest paid for the current year and total net revenues were \$430,708 and \$1,573,841, respectively.

Wastewater Utility Revenues Pledged

The Utility has pledged future wastewater revenues, net of specified operating expenditures, to repay revenue bonds issued in 2010. Proceeds from the bonds provided financing for defeasance of earlier issued bonds. The bonds are payable solely from wastewater net revenues and are payable through 2024. Annual principal and interest on the bonds are expected to require less than 23 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$5,083,027. Principal and interest paid for the current year and total net revenues were \$477,758 and \$2,348,985, respectively.

The Utility has pledged future wastewater revenues, net of specified operating expenditures, to repay SRF Loans issued in 2010. Proceeds from the loans provided financing for Dana Corporation Weatherhead Facility Site Remediation Project. The loans are payable solely from wastewater net revenues and are payable through 2030. Annual principal on the loans are expected to require less than 7 percent of net revenues. The total principal remaining to be paid on the loans is \$3,150,000. Principal paid for the current year and total net revenues were \$350,000 and \$2,348,985, respectively.

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; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; 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 3 years. There were no significant reductions in insurance by major category risk.

Medical Benefits

During 2010, the City, including the Utilities, joined together with other governmental entities to form the IACT Medical Trust, a public entity risk pool currently operating as a common risk management and insurance program for 16 member governmental entities. This risk pool was formed

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in 2010. The purpose of the risk pool is to provide a medium for the funding and administration of employee medical claims. The Utilities pay an annual premium to the risk pool for its employee medical coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members with no maximum limit per insured event. The risk pool has made provisions 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. Subsequent Event

On February 2, 2012, the Water Utility issued \$2,075,000 Waterworks Revenue and Refunding Bonds. \$1,622,916 of the proceeds of these bonds is for the defeasance of Waterworks Revenue Bonds of 1998 and Waterworks Revenue Bonds of 2002. The outstanding principal balance of these bonds at December 31, 2011, was \$1,015,000 and \$700,000, respectively. The remaining balance of \$410,584 will be used for waterworks improvements.

C. Rate Structure

1. Water Utility

On August 3, 1992, the Common Council adopted Ordinance 883 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Common Council on February 5, 2007. The Utility has 3,074 customers.

2. Wastewater Utility

The current rate structure was approved by the Common Council on August 24, 2009. The Utility has 2,972 customers.

D. Pension Plan

Agent Multiple-Employer and Single-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 Indiana Public Retirement System (INPRS) Board, most requirements of the system and give the City, including the Utilities, authority to contribute to the plan.

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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 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.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

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EXIT CONFERENCE

The contents of this report were discussed on April 17, 2012, 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.