

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

CITY OF ANGOLA MUNICIPAL UTILITIES

STEUBEN COUNTY, INDIANA

January 1, 2013 to December 31, 2014



FILED
04/26/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Debra A. Twitchell	01-01-12 to 12-31-19
Mayor	Richard M. Hickman	01-01-12 to 12-31-19
President of the Board of Public Works and Safety	Richard M. Hickman	01-01-13 to 12-31-16
President Pro Tempore of the Common Council	Richard M. Hickman David Martin	01-01-13 to 12-31-15 01-01-16 to 12-31-16
Superintendent of Water Utility	Daniel D. Olis Tom Selman	01-01-13 to 05-17-13 05-18-13 to 12-31-16
Superintendent of Wastewater Utility	Craig Williams	01-01-13 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statements of the business-type activities of the City of Angola Municipal Utilities (Utilities), departments of the City of Angola, for the years ended December 31, 2013 and 2014. The financial statements are the responsibility of the Utilities' management. Our responsibility is to express opinions on the financial statements 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 opinions.

As discussed in Note I, the financial statements of the Utilities, departments of the City of Angola, are intended to present the financial position, the changes in the financial position and, where applicable, cash flows of only that portion of the business-type activities of the City of Angola 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, 2013 and 2014, the changes in its financial position, or, where applicable, its cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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 Utilities, departments of the City of Angola, as of December 31, 2013 and 2014, and the respective changes in financial position and cash flows, thereof and for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

January 11, 2016

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FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

The financial statements and accompanying notes were prepared by management of the Utilities. The financial statements and notes are presented as intended by the Utilities.

CITY OF ANGOLA MUNICIPAL UTILITIES
STATEMENT OF NET POSITION
December 31, 2013

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
Current assets:		
Cash and cash equivalents	\$ 281,448	\$ 440,892
Accounts receivable (net of allowance)	5,562	16,218
Accounts receivable - other	2,939	5,907
Inventories	<u>51,751</u>	<u>29,097</u>
Total current assets	<u>341,700</u>	<u>492,114</u>
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Improvement cash and investments	904,728	409,400
Bond and interest cash and investments	600,349	717,981
Construction cash and investments	308,999	925,510
Customer deposits	<u>50,930</u>	<u>-</u>
Total restricted assets	<u>1,865,006</u>	<u>2,052,891</u>
Deferred outflows of resources	<u>48,286</u>	<u>191,479</u>
Capital assets:		
Land, improvements to land and construction in progress	56,533	91,738
Other capital assets (net of accumulated depreciation)	<u>8,848,147</u>	<u>16,488,279</u>
Total capital assets	<u>8,904,680</u>	<u>16,580,017</u>
Total noncurrent assets	<u>10,817,972</u>	<u>18,824,387</u>
Total assets	<u>11,159,672</u>	<u>19,316,501</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	30,351	45,652
Accrued wages payable	16,615	21,288
Taxes payable	6,720	-
Compensated absences	15,422	12,260
Current liabilities payable from restricted assets:		
Customer deposits	50,930	-
Revenue bonds payable	300,000	185,000
Loans payable	-	87,500
Accrued interest payable	<u>49,280</u>	<u>-</u>
Total current liabilities	<u>469,318</u>	<u>351,700</u>
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts)	3,375,000	3,334,438
Loans payable	-	2,712,500
Compensated absences	<u>5,563</u>	<u>3,921</u>
Total noncurrent liabilities	<u>3,380,563</u>	<u>6,050,859</u>
Total liabilities	<u>3,849,881</u>	<u>6,402,559</u>
<u>Net position</u>		
Net investment in capital assets	5,277,966	10,452,058
Restricted for debt service	600,349	717,981
Restricted for construction and improvements	1,213,727	1,334,910
Unrestricted	<u>217,749</u>	<u>408,993</u>
Total net position	<u>\$ 7,309,791</u>	<u>\$ 12,913,942</u>

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

CITY OF ANGOLA MUNICIPAL UTILITIES
STATEMENT OF NET POSITION
December 31, 2014

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
Current assets:		
Cash and cash equivalents	\$ 223,240	\$ 320,002
Accounts receivable (net of allowance)	4,859	13,064
Accounts receivable - other	245	552
Inventories	<u>50,731</u>	<u>25,982</u>
Total current assets	<u>279,075</u>	<u>359,600</u>
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Improvement cash and investments	1,046,018	1,037,023
Bond and interest cash and investments	601,837	717,981
Construction cash and investments	249,805	864,233
Customer deposits	<u>50,765</u>	<u>-</u>
Total restricted assets	<u>1,948,425</u>	<u>2,619,237</u>
Deferred outflows of resources	<u>42,661</u>	<u>172,331</u>
Capital assets:		
Land, improvements to land and construction in progress	119,521	78,100
Other capital assets (net of accumulated depreciation)	<u>8,707,532</u>	<u>16,172,343</u>
Total capital assets	<u>8,827,053</u>	<u>16,250,443</u>
Total noncurrent assets	<u>10,818,139</u>	<u>19,042,011</u>
Total assets	<u>11,097,214</u>	<u>19,401,611</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	49,585	60,955
Accrued wages payable	19,774	25,223
Taxes payable	6,902	-
Compensated absences	17,578	12,974
Current liabilities payable from restricted assets:		
Customer deposits	50,765	-
Revenue bonds payable	310,000	215,000
Loans payable	-	87,500
Accrued interest payable	<u>44,000</u>	<u>-</u>
Total current liabilities	<u>498,604</u>	<u>401,652</u>
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts)	3,065,000	2,943,994
Loans payable	-	2,537,500
Compensated absences	<u>5,155</u>	<u>4,110</u>
Total noncurrent liabilities	<u>3,070,155</u>	<u>5,485,604</u>
Total liabilities	<u>3,568,759</u>	<u>5,887,256</u>
<u>Net position</u>		
Net investment in capital assets	5,494,714	10,638,780
Restricted for debt service	601,837	717,981
Restricted for construction and improvements	1,295,823	1,901,256
Unrestricted	<u>136,081</u>	<u>256,338</u>
Total net position	<u>\$ 7,528,455</u>	<u>\$ 13,514,355</u>

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

CITY OF ANGOLA MUNICIPAL UTILITIES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
As Of And For The Year Ended December 31, 2013

	Water Utility	Wastewater Utility
Operating revenues:		
Metered water revenue	\$ 1,320,629	\$ -
Measured revenue:		
Wastewater	-	2,151,232
Stormwater	-	171,903
Fire protection revenue	399,799	-
Penalties	6,583	29,030
Other	163,013	138,429
Total operating revenues	1,890,024	2,490,594
Operating expenses:		
Source of supply and expense - operations and maintenance	136,622	-
Water treatment expense - operations and maintenance	243,495	-
Transmission and distribution	334,295	-
Collection system - operations and maintenance	-	417,066
Pumping - operations and maintenance	-	121,912
Treatment and disposal - operations and maintenance	-	525,476
Customer accounts	76,564	76,150
Administration and general	323,197	346,592
Depreciation	284,092	767,891
Contractual services	-	57,725
Miscellaneous	58,349	-
Total operating expenses	1,456,614	2,312,812
Operating income	433,410	177,782
Nonoperating revenues (expenses):		
Interest and investment revenue	1,865	743
Miscellaneous revenue	33,299	-
(Gain) Loss on Disposal of Assets	3,738	(39,736)
Interest expense	(124,048)	(147,799)
Total nonoperating revenues (expenses)	(85,146)	(186,792)
Income (Loss) before contributions	348,264	(9,010)
Capital contributions	-	1,821,199
Change in net assets	348,264	1,812,189
Total net position - beginning (restated, see Note II.E)	6,961,527	11,101,753
Total net position - ending	\$ 7,309,791	\$ 12,913,942

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

CITY OF ANGOLA MUNICIPAL UTILITIES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
As Of And For The Year Ended December 31, 2014

	Water Utility	Wastewater Utility
Operating revenues:		
Metered water revenue	\$ 1,343,699	\$ -
Measured revenue:		
Wastewater	-	2,359,746
Stormwater	-	219,297
Fire protection revenue	412,612	-
Penalties	6,641	32,353
Other	164,108	121,145
Total operating revenues	1,927,060	2,732,541
Operating expenses:		
Source of supply and expense - operations and maintenance	150,167	-
Water treatment expense - operations and maintenance	364,471	-
Transmission and distribution	373,372	-
Collection system - operations and maintenance	-	399,627
Pumping - operations and maintenance	-	132,819
Treatment and disposal - operations and maintenance	-	550,648
Customer accounts	83,225	82,546
Administration and general	367,521	365,440
Depreciation	298,738	791,537
Contractual services	-	61,277
Total operating expenses	1,637,494	2,383,894
Operating income	289,566	348,647
Nonoperating revenues (expenses):		
Interest and investment revenue	1,508	1,386
Miscellaneous revenue	32,215	-
Gain on disposal of asset	8,000	30,215
Interest expense	(112,625)	(140,247)
Total nonoperating revenues (expenses)	(70,902)	(108,646)
Income before contributions	218,664	240,001
Capital contributions	-	360,412
Change in net assets	218,664	600,413
Total net position - beginning	7,309,791	12,913,942
Total net position - ending	\$ 7,528,455	\$ 13,514,355

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

CITY OF ANGOLA MUNICIPAL UTILITIES
STATEMENT OF CASH FLOWS
As Of And For The Year Ended December 31, 2013

	Water Utility	Wastewater Utility
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,887,828	\$ 2,479,420
Payments to suppliers and contractors	(630,327)	(879,249)
Payments to employees	(584,921)	(636,613)
Other non operating income	37,037	-
Net cash provided by operating activities	709,617	963,558
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(111,952)	(96,811)
Principal paid on capital debt	(295,000)	(530,000)
Interest paid on capital debt	(118,530)	(129,095)
Net cash used by capital and related financing activities	(525,482)	(755,906)
Cash flows from investing activities:		
Interest received	1,865	743
Net increase in cash and cash equivalents	186,000	208,395
Cash and cash equivalents, January 1	1,960,454	2,285,388
Cash and cash equivalents, December 31	\$ 2,146,454	\$ 2,493,783
Unrestricted cash and cash equivalents	281,448	440,892
Restricted cash and cash equivalents	1,865,006	2,052,891
Cash and cash equivalents, December 31	\$ 2,146,454	\$ 2,493,783
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 433,410	\$ 177,782
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	284,092	767,891
Other nonoperating income	37,037	-
(Increase) decrease in assets:		
Accounts receivable	(2,196)	(11,174)
Inventories	10,255	(5,302)
Increase (decrease) in liabilities:		
Accounts payable	(57,506)	34,251
Accrued wages payable	3,078	4,072
Taxes payable	(39)	-
Compensated absence payable	(664)	(3,962)
Customer deposits	2,150	-
Total adjustments	276,207	785,776
Net cash provided by operating activities	\$ 709,617	\$ 963,558
Noncash investing, capital and financing activities:		
Contributions of capital assets from government		\$ 1,821,199

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

CITY OF ANGOLA MUNICIPAL UTILITIES
STATEMENT OF CASH FLOWS
As Of And For The Year Ended December 31, 2014

	Water Utility	Wastewater Utility
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,930,457	\$ 2,741,050
Payments to suppliers and contractors	(757,104)	(897,979)
Payments to employees	(556,474)	(671,122)
Other non operating income	40,215	-
Net cash provided by operating activities	657,094	1,171,949
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(221,111)	(71,336)
Principal paid on capital debt	(300,000)	(535,000)
Interest paid on capital debt	(112,280)	(121,543)
Net cash used by capital and related financing activities	(633,391)	(727,879)
Cash flows from investing activities:		
Interest received	1,508	1,386
Net increase in cash and cash equivalents	25,211	445,456
Cash and cash equivalents, January 1	2,146,454	2,493,783
Cash and cash equivalents, December 31	\$ 2,171,665	\$ 2,939,239
Unrestricted cash and cash equivalents	223,240	320,002
Restricted cash and cash equivalents	1,948,425	2,619,237
Cash and cash equivalents, December 31	\$ 2,171,665	\$ 2,939,239
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 289,566	\$ 348,647
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	298,738	791,537
Other nonoperating income	40,215	-
(Increase) decrease in assets:		
Accounts receivable	3,397	8,509
Inventories	1,020	3,115
Increase (decrease) in liabilities:		
Accounts payable	19,234	15,303
Accrued wages payable	3,159	3,935
Taxes payable	182	-
Compensated absence payable	1,748	903
Customer deposits	(165)	-
Total adjustments	367,528	823,302
Net cash provided by operating activities	\$ 657,094	\$ 1,171,949
Noncash investing, capital and financing activities:		
Contributions of capital assets from government	\$ -	\$ 360,412

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

CITY OF ANGOLA MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the Angola Municipal Utilities (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 Position; Statement of Revenues, Expenses and Changes in Net Position; 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.

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 Position 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.

CITY OF ANGOLA MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items

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 Position because they are maintained in separate funds and/or bank accounts and their use is limited by applicable bond covenants.

The 2013 and 2014 financial statements report Water Utility restricted net position of \$1,814,076 and \$1,897,660; respectively, of which \$1,814,076 and \$1,897,660; respectively, are restricted by enabling legislation; and Wastewater Utility restricted net position of \$2,052,891 and \$2,619,237; respectively, of which \$2,052,891 and \$2,619,237; respectively are restricted by enabling legislation.

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 year 2013 was \$124,048 and \$147,799, respectively and the year 2014 was \$112,625 and \$140,247, respectively. Of these amounts, nothing was included as part of the cost of capital assets under construction.

CITY OF ANGOLA MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

5. Compensated Absences

- a. Sick Leave - Utility employees 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 upon termination.
- b. Vacation Leave - Utility employees 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 - Utility employees earn personal leave at the rate of 2 days per year. Personal leave does not accumulate from year to year.

Vacation and sick leave is accrued when incurred.

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts 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.

7. Deferred Inflows/Outflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to future periods. Deferred outflows of resources represent a consumption of net position that applies to future periods.

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, 2014, the deposit balances were \$2,171,665 and \$2,939,239 for the Water and Wastewater Utilities, 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.

CITY OF ANGOLA MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Capital Assets

Capital asset activity for the years ended December 31, 2013 and 2014, were as follows:

<u>Water Utility</u>	Balance 01-01-13	Increases	Decreases	Balance 12-31-13
Capital assets, not being depreciated:				
Land	\$ 56,533	\$ -	\$ -	\$ 56,533
Construction in progress	<u>36,315</u>	<u>-</u>	<u>36,315</u>	<u>-</u>
Total capital assets, not being depreciated	<u>92,848</u>	<u>-</u>	<u>36,315</u>	<u>56,533</u>
Capital assets, being depreciated:				
Buildings	3,586,894	-	-	3,586,894
Infrastructure	6,675,435	-	-	6,675,435
Improvements other than buildings	7,390	-	-	7,390
Machinery and equipment	<u>2,086,820</u>	<u>148,267</u>	<u>5,500</u>	<u>2,229,587</u>
Totals	<u>12,356,539</u>	<u>148,267</u>	<u>5,500</u>	<u>12,499,306</u>
Less accumulated depreciation for:				
Buildings	(798,492)	(93,532)	-	(892,024)
Infrastructure	(1,842,068)	(134,763)	-	(1,976,831)
Improvements other than buildings	(4,065)	(369)	-	(4,434)
Machinery and equipment	<u>(727,942)</u>	<u>(55,428)</u>	<u>(5,500)</u>	<u>(777,870)</u>
Totals	<u>(3,372,567)</u>	<u>(284,092)</u>	<u>(5,500)</u>	<u>(3,651,159)</u>
Total capital assets, being depreciated, net	<u>8,983,972</u>	<u>(135,825)</u>	<u>-</u>	<u>8,848,147</u>
Total Water Utility capital assets, net	<u>\$ 9,076,820</u>	<u>\$ (135,825)</u>	<u>\$ 36,315</u>	<u>\$ 8,904,680</u>
<u>Water Utility</u>	Balance 01-01-14	Increases	Decreases	Balance 12-31-14
Capital assets, not being depreciated:				
Land	\$ 56,533	\$ -	\$ -	\$ 56,533
Construction in progress	<u>-</u>	<u>62,988</u>	<u>-</u>	<u>62,988</u>
Total capital assets, not being depreciated	<u>56,533</u>	<u>62,988</u>	<u>-</u>	<u>119,521</u>
Capital assets, being depreciated:				
Buildings	3,586,894	-	-	3,586,894
Infrastructure	6,675,435	-	-	6,675,435
Improvements other than buildings	7,390	-	-	7,390
Machinery and equipment	<u>2,229,587</u>	<u>158,123</u>	<u>39,286</u>	<u>2,348,424</u>
Totals	<u>12,499,306</u>	<u>158,123</u>	<u>39,286</u>	<u>12,618,143</u>
Less accumulated depreciation for:				
Buildings	(892,024)	(93,532)	-	(985,556)
Infrastructure	(1,976,831)	(133,614)	-	(2,110,445)
Improvements other than buildings	(4,434)	(370)	-	(4,804)
Machinery and equipment	<u>(777,870)</u>	<u>(71,222)</u>	<u>(39,286)</u>	<u>(809,806)</u>
Totals	<u>(3,651,159)</u>	<u>(298,738)</u>	<u>(39,286)</u>	<u>(3,910,611)</u>
Total capital assets, being depreciated, net	<u>8,848,147</u>	<u>(140,615)</u>	<u>-</u>	<u>8,707,532</u>
Total Water Utility capital assets, net	<u>\$ 8,904,680</u>	<u>\$ (77,627)</u>	<u>\$ -</u>	<u>\$ 8,827,053</u>

CITY OF ANGOLA MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Wastewater Utility</u>	Balance 01-01-13	Increases	Decreases	Balance 12-31-13
Capital assets, not being depreciated:				
Land	\$ 26,625	\$ -	\$ -	\$ 26,625
Construction in progress	<u>91,169</u>	<u>22,568</u>	<u>48,624</u>	<u>65,113</u>
Total capital assets, not being depreciated	<u>117,794</u>	<u>22,568</u>	<u>48,624</u>	<u>91,738</u>
Capital assets, being depreciated:				
Buildings	7,601,274	-	-	7,601,274
Infrastructure	18,725,419	223,986	-	18,949,405
Improvements other than buildings	85,931	34,749	-	120,680
Machinery and equipment	<u>2,136,971</u>	<u>181,820</u>	<u>232,887</u>	<u>2,085,904</u>
Totals	<u>28,549,595</u>	<u>440,555</u>	<u>232,887</u>	<u>28,757,263</u>
Less accumulated depreciation for:				
Buildings	(2,271,641)	(173,111)	-	(2,444,752)
Infrastructure	(8,172,482)	(507,404)	-	(8,679,886)
Improvements other than buildings	(27,319)	(3,973)	-	(31,292)
Machinery and equipment	<u>(1,171,313)</u>	<u>(83,403)</u>	<u>(141,662)</u>	<u>(1,113,054)</u>
Totals	<u>(11,642,755)</u>	<u>(767,891)</u>	<u>(141,662)</u>	<u>(12,268,984)</u>
Total capital assets, being depreciated, net	<u>16,906,840</u>	<u>(327,336)</u>	<u>91,225</u>	<u>16,488,279</u>
Total Wastewater Utility capital assets, net	<u>\$ 17,024,634</u>	<u>\$ (304,768)</u>	<u>\$ 139,849</u>	<u>\$ 16,580,017</u>
<u>Wastewater Utility</u>	Balance 01-01-14	Increases	Decreases	Balance 12-31-14
Capital assets, not being depreciated:				
Land	\$ 26,625	\$ -	\$ -	\$ 26,625
Construction in progress	<u>65,113</u>	<u>8,930</u>	<u>22,568</u>	<u>51,475</u>
Total capital assets, not being depreciated	<u>91,738</u>	<u>8,930</u>	<u>22,568</u>	<u>78,100</u>
Capital assets, being depreciated:				
Buildings	7,601,274	-	-	7,601,274
Infrastructure	18,949,405	26,816	-	18,976,221
Improvements other than buildings	120,680	23,185	-	143,865
Machinery and equipment	<u>2,085,904</u>	<u>475,069</u>	<u>215,498</u>	<u>2,345,475</u>
Totals	<u>28,757,263</u>	<u>525,070</u>	<u>215,498</u>	<u>29,066,835</u>
Less accumulated depreciation for:				
Buildings	(2,444,752)	(173,111)	-	(2,617,863)
Infrastructure	(8,679,886)	(510,697)	-	(9,190,583)
Improvements other than buildings	(31,292)	(5,710)	-	(37,002)
Machinery and equipment	<u>(1,113,054)</u>	<u>(102,019)</u>	<u>(166,029)</u>	<u>(1,049,044)</u>
Totals	<u>(12,268,984)</u>	<u>(791,537)</u>	<u>(166,029)</u>	<u>(12,894,492)</u>
Total capital assets, being depreciated, net	<u>16,488,279</u>	<u>(266,467)</u>	<u>49,469</u>	<u>16,172,343</u>
Total Wastewater Utility capital assets, net	<u>\$ 16,580,017</u>	<u>\$ (257,537)</u>	<u>\$ 72,037</u>	<u>\$ 16,250,443</u>

CITY OF ANGOLA MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

	2013	2014
Water	\$ 284,092	\$ 298,738
Wastewater	767,891	791,537
Total depreciation expense	\$ 1,051,983	\$ 1,090,275

C. Construction Commitments

Construction work in progress is composed of the following:

Project	2013		2014	
	Expended to December 31,	Committed	Expended to December 31,	Committed
Water Utility:				
WTP SCADA Upgrade	\$ -	\$ -	\$ 33,313	\$ 33,313
WTP Improvements	-	-	29,675	29,675
Total Water Utility	\$ -	\$ -	\$ 62,988	\$ 62,988
Wastewater Utility:				
Baffle & Blower Improvements	\$ 22,568	\$ 22,568	\$ -	\$ -
Pine Run Storm Sewer Improvement	-	-	8,930	8,930
SE Public Square Stormwater Improvements	4,259	4,259	4,259	4,259
Parking lot	38,286	38,286	38,286	38,286
Total Wastewater Utility	\$ 65,113	\$ 65,113	\$ 51,475	\$ 51,475

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 December 31, 2013 and 2014, are as follows:

Purpose	Interest Rates	Balance at 12-31-13	Less: Unamortized (Premium) Discount	Amount
Water Utility:				
2012 Waterworks refunding revenue bonds	1.5% to 2.5%	\$ 1,775,000	\$ -	\$ 1,775,000
2007 Waterworks revenue bonds	4% to 4.5%	1,900,000	-	1,900,000
Total Water Utility		\$ 3,675,000	\$ -	\$ 3,675,000
Wastewater Utility:				
2010 Sewage Works refunding revenue bonds, Series A	3.0% to 4.75%	3,515,000	(4,438)	3,519,438
Total Wastewater Utility		\$ 3,515,000	\$ (4,438)	\$ 3,519,438

CITY OF ANGOLA MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

Purpose	Interest Rates	Balance at 12-31-14	Less: Unamortized (Premium) Discount	Amount
Water Utility:				
2012 Waterworks refunding revenue bonds	1.5% to 2.5%	\$ 1,590,000	\$ -	\$ 1,590,000
2007 Waterworks revenue bonds	4% to 4.5%	<u>1,785,000</u>	<u>-</u>	<u>1,785,000</u>
Total Water Utility		<u>\$ 3,375,000</u>	<u>\$ -</u>	<u>\$ 3,375,000</u>
Wastewater Utility:				
2010 Sewage Works refunding revenue bonds, Series A	3.0% to 4.75%	<u>3,155,000</u>	<u>(3,994)</u>	<u>3,158,994</u>
Total Wastewater Utility		<u>\$ 3,155,000</u>	<u>\$ (3,994)</u>	<u>\$ 3,158,994</u>

Revenue bonds debt service requirements to maturity are as follows:

	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2015	\$ 310,000	\$ 105,830	\$ 215,000	\$ 57,520
2016	315,000	98,305	435,000	106,300
2017	330,000	90,580	440,000	92,906
2018	340,000	82,380	470,000	78,075
2019	350,000	73,225	480,000	61,338
2020-2024	1,365,000	213,435	1,115,000	86,894
2025-2029	<u>365,000</u>	<u>24,750</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 3,375,000</u>	<u>\$ 688,505</u>	<u>\$ 3,155,000</u>	<u>\$ 483,033</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, including interest of \$0, are as follows:

	Principal
2015	\$ 87,500
2016	175,000
2017	175,000
2018	175,000
2019	175,000
2020-2024	875,000
2025-2029	875,000
2030-2034	<u>87,500</u>
Total	<u>\$ 2,625,000</u>

CITY OF ANGOLA MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

The 2010 SRF Loan is a 0 percent interest loan. Drawdowns from this loan were \$2,575,838 and \$2,637,115 at December 31, 2013 and 2014, respectively.

3. Changes in Long-Term Liabilities

Long-term liability activity for the years ended December 31, 2013 and 2014, were as follows:

<u>2013</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Water Utility:					
Revenue Bonds Payable	\$ 3,970,000	\$ -	\$ 295,000	\$ 3,675,000	\$ 300,000
Compensated Absences Payable	<u>21,649</u>	<u>14,626</u>	<u>15,290</u>	<u>20,985</u>	<u>15,422</u>
Total water utility long-term liabilities	<u>3,991,649</u>	<u>14,626</u>	<u>310,290</u>	<u>3,695,985</u>	<u>315,422</u>
Wastewater Utility:					
Revenue Bonds Payable	3,870,000	-	355,000	3,515,000	185,000
Loans Payable	2,975,000	-	175,000	2,800,000	87,500
Compensated Absences Payable	<u>20,143</u>	<u>12,184</u>	<u>16,146</u>	<u>16,181</u>	<u>12,260</u>
Total wastewater utility long-term liabilities	<u>6,865,143</u>	<u>12,184</u>	<u>546,146</u>	<u>6,331,181</u>	<u>284,760</u>
Total Long-term liabilities	<u>\$ 10,856,792</u>	<u>\$ 26,810</u>	<u>\$ 856,436</u>	<u>\$ 10,027,166</u>	<u>\$ 600,182</u>
<u>2014</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Water Utility:					
Revenue Bonds Payable	\$ 3,675,000	\$ -	\$ 300,000	\$ 3,375,000	\$ 310,000
Compensated Absences Payable	<u>20,985</u>	<u>17,170</u>	<u>15,422</u>	<u>22,733</u>	<u>17,578</u>
Total water utility long-term liabilities	<u>3,695,985</u>	<u>17,170</u>	<u>315,422</u>	<u>3,397,733</u>	<u>327,578</u>
Wastewater Utility:					
Revenue Bonds Payable	3,515,000	-	360,000	3,155,000	215,000
Loans Payable	2,800,000	-	175,000	2,625,000	87,500
Compensated Absences Payable	<u>16,181</u>	<u>13,163</u>	<u>12,260</u>	<u>17,084</u>	<u>12,974</u>
Total wastewater utility long-term liabilities	<u>6,331,181</u>	<u>13,163</u>	<u>547,260</u>	<u>5,797,084</u>	<u>315,474</u>
Total Long-term liabilities	<u>\$ 10,027,166</u>	<u>\$ 30,333</u>	<u>\$ 862,682</u>	<u>\$ 9,194,817</u>	<u>\$ 643,052</u>

E. Restatements and Reclassifications

The implementation of GASB 65 required the elimination of deferred charges which affected the beginning net position of Water Utility and Wastewater Utility in 2013. The following schedule presents a summary of the restated beginning balances.

CITY OF ANGOLA MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

	<u>Balance as Reported December 31, 2012</u>	<u>Prior Period Adjustments</u>	<u>Balance as Restated January 1, 2013</u>
Water Utility - net position	\$ 7,108,913	\$ (147,386)	\$ 6,961,527
Wastewater Utility - net position	11,271,399	(169,646)	11,101,753

F. Restricted Assets

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

	<u>2013 Water Utility</u>	<u>2013 Wastewater Utility</u>
Improvement	\$ 904,728	\$ 409,400
Bond and interest	600,349	717,981
Construction	308,999	925,510
Customer deposits	<u>50,930</u>	<u>-</u>
Total restricted assets	<u>\$ 1,865,006</u>	<u>\$ 2,052,891</u>
	<u>2014 Water Utility</u>	<u>2014 Wastewater Utility</u>
Improvement	\$ 1,046,018	\$ 1,037,023
Bond and interest	601,837	717,981
Construction	249,805	864,233
Customer deposits	<u>50,765</u>	<u>-</u>
Total restricted assets	<u>\$ 1,948,425</u>	<u>\$ 2,619,237</u>

G. Revenues Pledged

Water Utility Revenues Pledged

The Utility has pledged future operating revenues, net of specific operating expenditures, to repay revenue bonds issued in 2007 and 2012. Proceeds from the bonds provided financing for waterworks improvements. The bonds are payable solely from net operating revenues and are payable through 2026. Annual principal and interest payments are expected to require less than 23 percent of operating revenues.

CITY OF ANGOLA MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

Wastewater Utility Revenues Pledged

The Utility has pledged future operating revenues, net of specific operating expenditures, to repay revenue bonds issued in 2010. Proceeds from the bonds provided financing for waterworks improvements. The bonds are payable solely from net operating revenues and are payable through 2024. Annual principal and interest payments are expected to require less than 23 percent of operating revenues.

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; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); 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.

B. Rate Structure

1. Water Utility

The current rate structure was approved by the Utility on August 4, 2014. The Utility has 2,976 customers.

2. Wastewater Utility

The current rate structure was approved by the Utility on January 9, 2014. The Utility has 2,981 customers.

C. 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. On July 1, 2013 PERF change from an agent multiple-employer to a cost-sharing multiple-employer retirement plan. 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 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

CITY OF ANGOLA MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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) 256-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS,

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.

D. Subsequent Events

The City of Angola issued on October 15, 2015, \$2,805,000 of Waterworks Revenue and Refunding Revenue Bonds of 2015 for current refunding of \$1,670,000 of currently outstanding Waterworks Revenue Bonds of 2007, originally issued in the amount of \$2,635,000 and maturing August 1, 2026. The bonds were issued for the purpose of paying costs of improvements to the Waterworks treatment plant including the installation of variable frequency drives for two high service pumps, replacement of an aerator, purchase of a stand-by generator and the construction of a new well. Estimated cost of the project is \$1,040,131. Construction is expected to start in December of 2015 and be completed by October 2018.

OTHER REPORTS

In addition to this report, other reports may have been issued for the Utilities. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.