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STATE BOARD OF ACCOUNTS
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INDIANAPOLIS, INDIANA 46204-2769

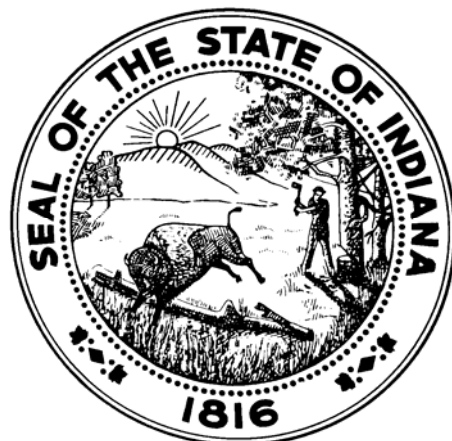
ANNUAL FINANCIAL REPORT

2006

WATER AND WASTEWATER UTILITIES

CITY OF ANGOLA

STEBEN COUNTY, INDIANA



FILED
10/25/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Debra A. Twitchell	01-01-04 to 12-31-07
Mayor	Richard M. Hickman	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Richard M. Hickman	01-01-04 to 12-31-07
President of the Common Council	Richard M. Hickman	01-01-04 to 12-31-07
Superintendent of Water Utility	Daniel D. Olis	01-01-06 to 12-31-07
Superintendent of Wastewater Utility	Craig Williams	01-01-06 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business-type activities of the Water and Wastewater Utilities (Utilities), departments of the City of Angola, as of and for the year ended December 31, 2006. These financial statements are the responsibility of the Utilities' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note I, the financial statements of the Water and Wastewater Utilities, departments of the 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, 2006, 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, 2006, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

STATE BOARD OF ACCOUNTS

September 4, 2007

WATER AND WASTEWATER UTILITIES
CITY OF ANGOLA
STATEMENT OF NET ASSETS
December 31, 2006

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
Current assets:		
Cash and cash equivalents	\$ 302,007	\$ 222,935
Accounts receivable (net of allowance)	16,530	13,905
Inventories	107,572	8,646
Prepaid items	<u>3,016</u>	<u>3,226</u>
Total current assets	<u>429,125</u>	<u>248,712</u>
Noncurrent assets:		
Restricted cash and cash equivalents:		
Revenue bond covenant accounts	335,568	726,419
Construction and improvement accounts	784,257	430,101
Customer deposits	37,705	-
Interest receivable	<u>587</u>	<u>1,822</u>
Total restricted assets	<u>1,158,117</u>	<u>1,158,342</u>
Deferred charges	<u>54,918</u>	<u>184,378</u>
Capital assets:		
Land, improvements to land and construction in progress	173,774	35,763
Other capital assets (net of accumulated depreciation)	<u>6,394,210</u>	<u>17,767,766</u>
Total capital assets	<u>6,567,984</u>	<u>17,803,529</u>
Total noncurrent assets	<u>7,781,019</u>	<u>19,146,249</u>
Total assets	<u>8,210,144</u>	<u>19,394,961</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	7,715	5,733
Accrued wages payable	16,563	19,205
Taxes payable	5,201	-
Compensated absences	6,303	10,050
Current liabilities payable from restricted assets:		
Accounts payable	19,661	-
Customer deposits	37,705	-
Revenue bonds payable	125,000	-
Accrued interest payable	<u>46,769</u>	<u>-</u>
Total current liabilities	<u>264,917</u>	<u>34,988</u>
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts or premiums and deferred amount on refunding)	2,227,204	4,457,397
Loans payable	-	3,645,000
Compensated absences	<u>3,495</u>	<u>1,882</u>
Total noncurrent liabilities	<u>2,230,699</u>	<u>8,104,279</u>
Total liabilities	<u>2,495,616</u>	<u>8,139,267</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	4,151,011	9,701,132
Restricted for debt service	335,568	728,241
Restricted for construction and improvements	784,844	430,101
Unrestricted	<u>443,105</u>	<u>396,220</u>
Total net assets	<u>\$ 5,714,528</u>	<u>\$ 11,255,694</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 CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2006

	<u>Water Utility</u>	<u>Wastewater Utility</u>
Operating revenues:		
Metered water revenue	\$ 1,072,523	\$ -
Measured revenue:		
Wastewater	-	1,793,228
Storm water	-	145,126
Fire protection revenue	380,236	-
Penalties	7,404	29,492
Tap and connection fees	71,649	99,290
Other	<u>31,111</u>	<u>38,493</u>
 Total operating revenues	 <u>1,562,923</u>	 <u>2,105,629</u>
Operating expenses:		
Source of supply and expense - operations and maintenance	120,711	-
Water treatment expense - operations and maintenance	249,108	-
Transmission and distribution	269,252	-
Collection system - operations and maintenance	-	176,839
Pumping - operations and maintenance	-	146,717
Treatment and disposal - operations and maintenance	-	447,384
Customer accounts	61,828	61,157
Administration and general	251,853	260,283
Sludge removal	-	68,238
Depreciation	144,551	719,982
Miscellaneous expenses	<u>20,900</u>	<u>22,811</u>
 Total operating expenses	 <u>1,118,203</u>	 <u>1,903,411</u>
 Operating income	 <u>444,720</u>	 <u>202,218</u>
Nonoperating revenues (expenses):		
Interest and investment revenue	61,250	77,680
Gain (loss) on disposal of assets	(41,670)	31,798
Interest expense	(120,748)	(339,976)
Amortization of bond issue costs	<u>(4,045)</u>	<u>(11,866)</u>
 Total nonoperating revenues (expenses)	 <u>(105,213)</u>	 <u>(242,364)</u>
 Income (loss) before contributions and transfers	 339,507	 (40,146)
Capital contributions	<u>324,766</u>	<u>522,665</u>
 Change in net assets	 664,273	 482,519
Total net assets - beginning	<u>5,050,255</u>	<u>10,773,175</u>
Total net assets - ending	<u>\$ 5,714,528</u>	<u>\$ 11,255,694</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, 2006

	Water Utility	Wastewater Utility
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,562,384	\$ 2,104,765
Payments to suppliers and contractors	(390,573)	(505,128)
Payments to employees	(580,651)	(681,588)
	<u>591,160</u>	<u>918,049</u>
Net cash provided by operating activities		
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(189,103)	(630,967)
Principal paid on capital debt	(120,000)	(395,000)
Interest paid on capital debt	(120,015)	(334,819)
	<u>(429,118)</u>	<u>(1,360,786)</u>
Net cash used by capital and related financing activities		
Cash flows from investing activities:		
Interest received	<u>62,796</u>	<u>79,007</u>
Net increase (decrease) in cash and cash equivalents	224,838	(363,730)
Cash and cash equivalents, January 1	<u>1,234,699</u>	<u>1,743,185</u>
Cash and cash equivalents, December 31	<u>\$ 1,459,537</u>	<u>\$ 1,379,455</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 444,720	\$ 202,218
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	144,551	719,982
(Increase) decrease in assets:		
Accounts receivable	(539)	(864)
Inventories	(8,758)	(284)
Prepaid items	(289)	(298)
Increase (decrease) in liabilities:		
Accounts payable	5,852	2,498
Accrued wages payable	(1,421)	(5,311)
Taxes payable	134	-
Compensated absence payable	1,820	108
Customer deposits	5,090	-
	<u>146,440</u>	<u>715,831</u>
Total adjustments		
Net cash provided by operating activities	<u>\$ 591,160</u>	<u>\$ 918,049</u>
Noncash investing, capital and financing activities:		
Contributions of capital assets from developers	\$ 324,766	\$ 522,665
Purchase of capital assets on account	18,000	-

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. The activity has been classified Class A, requiring full accrual accounting records, by the National Association of Regulatory Utility Commissioners.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

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

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

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

2. Inventories and Prepaid Items

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

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.

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

3. Restricted Assets

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

4. Capital Assets

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

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 1,000	Straight-line	10 to 100 yrs.
Infrastructure	1,000	Straight-line	10 to 100 yrs.
Improvement other than buildings	1,000	Straight-line	10 to 100 yrs.
Machinery and equipment	1,000	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.

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. Accumulated sick leave is paid to employees through cash payments upon termination.
- b. Vacation Leave – The employees of the Utilities earn vacation leave at rates from 5 days to 25 days per year based upon the number of years of service. Vacation leave does not accumulate beyond the employee's anniversary date. Accumulated vacation leave is paid to employees through cash payments upon termination.
- c. Personal Leave – The employees of the Utilities earn personal leave at the rate of 2 days per year. Personal leave does not accumulate from year to year.

Vacation and sick leave are accrued when incurred.

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

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 5-15-18-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The 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

Some of the beginning capital asset and accumulated depreciation balances for the Water Utility and Wastewater Utility have been reclassified to better describe the use of the asset. The net capital asset beginning balances for each Utility did not change.

Capital asset activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 56,533	\$ -	\$ -	\$ 56,533
Construction in progress	8,123	112,441	3,323	117,241
	<u>64,656</u>	<u>112,441</u>	<u>3,323</u>	<u>173,774</u>
Total capital assets, not being depreciated				
	<u>64,656</u>	<u>112,441</u>	<u>3,323</u>	<u>173,774</u>
Capital assets, being depreciated:				
Buildings	2,125,768	5,340	-	2,131,108
Infrastructure	5,085,097	317,666	-	5,402,763
Improvements other than buildings	87,484	4,900	73,074	19,310
Machinery and equipment	1,221,370	87,622	27,704	1,281,288
	<u>8,519,719</u>	<u>415,528</u>	<u>100,778</u>	<u>8,834,469</u>
Totals	<u>8,519,719</u>	<u>415,528</u>	<u>100,778</u>	<u>8,834,469</u>

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water Utility (continued):				
Capital assets, being depreciated (continued):				
Less accumulated depreciation for:				
Buildings	477,172	46,820	-	523,992
Infrastructure	1,239,638	37,105	-	1,276,743
Improvements other than buildings	45,650	893	38,627	7,916
Machinery and equipment	<u>599,579</u>	<u>59,733</u>	<u>27,704</u>	<u>631,608</u>
Totals	<u>2,362,039</u>	<u>144,551</u>	<u>66,331</u>	<u>2,440,259</u>
Total capital assets, being depreciated, net	<u>6,157,680</u>	<u>270,977</u>	<u>34,447</u>	<u>6,394,210</u>
Total Water Utility capital assets, net	<u>\$ 6,222,336</u>	<u>\$ 383,418</u>	<u>\$ 37,770</u>	<u>\$ 6,567,984</u>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 26,625	\$ -	\$ -	\$ 26,625
Construction in progress	<u>609,291</u>	<u>478,521</u>	<u>1,078,674</u>	<u>9,138</u>
Total capital assets, not being depreciated	<u>635,916</u>	<u>478,521</u>	<u>1,078,674</u>	<u>35,763</u>
Capital assets, being depreciated:				
Buildings	6,847,196	145,394	-	6,992,590
Infrastructure	16,011,844	919,427	-	16,931,271
Improvements other than buildings	106,158	-	66,128	40,030
Machinery and equipment	<u>1,471,930</u>	<u>744,555</u>	<u>52,306</u>	<u>2,164,179</u>
Totals	<u>24,437,128</u>	<u>1,809,376</u>	<u>118,434</u>	<u>26,128,070</u>
Less accumulated depreciation for:				
Buildings	1,429,328	139,767	-	1,569,095
Infrastructure	5,316,489	458,991	-	5,775,480
Improvements other than buildings	59,248	1,900	44,092	17,056
Machinery and equipment	<u>925,552</u>	<u>119,324</u>	<u>46,203</u>	<u>998,673</u>
Totals	<u>7,730,617</u>	<u>719,982</u>	<u>90,295</u>	<u>8,360,304</u>
Total capital assets, being depreciated, net	<u>16,706,511</u>	<u>1,089,394</u>	<u>28,139</u>	<u>17,767,766</u>
Total Wastewater Utility capital assets, net	<u>\$ 17,342,427</u>	<u>\$ 1,567,915</u>	<u>\$ 1,106,813</u>	<u>\$ 17,803,529</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:

Water	\$	144,551
Wastewater		<u>719,982</u>
 Total depreciation expense	 \$	 <u><u>864,533</u></u>

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2006
Water Utility:		
W. Mill Street project	\$ <u>117,241</u>	\$ <u>117,241</u>
Wastewater Utility:		
Woodhull Drive sanitary sewer	\$ 1,030	\$ 1,030
CR 200 N and CR 240 N extensions	2,156	2,156
East Maumee Street separation	4,179	4,179
CR 150 S sewer project	<u>1,773</u>	<u>1,773</u>
Totals for Wastewater Utility	<u>\$ 9,138</u>	<u>\$ 9,138</u>

D. Long-Term Liabilities

1. Revenue Bonds

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

Purpose	Interest Rates	Balance at December 31	Premium (Discount) (Deferral of Loss on Refunding)	Revenue Bonds
1998 Waterworks revenue bonds	4.45% to 5%	\$ 1,475,000	\$ (21,897)	\$ 1,453,103
2002 Waterworks revenue bonds	4% to 5.20%	915,000	(15,899)	899,101
1997 Sewageworks revenue bonds	5.30% to 5.375%	1,545,000	(21,500)	1,523,500
2004 Sewageworks revenue and refund bonds	3% to 4.5%	<u>2,985,000</u>	<u>(51,103)</u>	<u>2,933,897</u>
Totals		<u>\$ 6,920,000</u>	<u>\$ (110,399)</u>	<u>\$ 6,809,601</u>

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

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2007	\$ 125,000	\$ 114,895	\$ -	\$ 96,643
2008	125,000	109,513	305,000	187,792
2009	140,000	104,063	320,000	176,577
2010	140,000	97,923	330,000	164,622
2011	145,000	91,592	340,000	151,652
2012-2016	860,000	346,899	2,000,000	531,537
2017-2021	855,000	111,415	895,000	142,021
2022-2026	-	-	340,000	23,175
Totals	<u>\$ 2,390,000</u>	<u>\$ 976,300</u>	<u>\$ 4,530,000</u>	<u>\$ 1,474,019</u>

2. Loan Payable

Under the terms of the State Revolving Loan Fund, revenue bonds have been purchased by the Indiana Bond Bank, the proceeds of which are set aside to finance the construction of improvements to the Wastewater Utility. Funds are loaned to the City as construction costs are accrued to the maximum allowed. Loan payable debt service requirements to maturity are as follows:

	Principal	Interest
2007	\$ -	\$ 63,787
2008	100,000	125,825
2009	105,000	122,238
2010	105,000	118,563
2011	110,000	114,800
2012-2016	620,000	511,525
2017-2021	<u>2,605,000</u>	<u>265,037</u>
Totals	<u>\$ 3,645,000</u>	<u>\$ 1,321,775</u>

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006, was as follows:

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds payable:					
Water Utility	\$ 2,510,000	\$ -	\$ 120,000	\$ 2,390,000	\$ 125,000
Wastewater Utility	<u>4,825,000</u>	<u>-</u>	<u>295,000</u>	<u>4,530,000</u>	<u>-</u>
Total revenue bonds payable	<u>7,335,000</u>	<u>-</u>	<u>415,000</u>	<u>6,920,000</u>	<u>125,000</u>
Loan payable:					
Wastewater Utility	<u>3,745,000</u>	<u>-</u>	<u>100,000</u>	<u>3,645,000</u>	<u>-</u>
Compensated absences:					
Water Utility	7,978	6,740	4,920	9,798	6,303
Wastewater Utility	<u>11,824</u>	<u>8,290</u>	<u>8,182</u>	<u>11,932</u>	<u>10,050</u>
Total compensated absences	<u>19,802</u>	<u>15,030</u>	<u>13,102</u>	<u>21,730</u>	<u>16,353</u>
Total long-term liabilities	<u>\$ 11,099,802</u>	<u>\$ 15,030</u>	<u>\$ 528,102</u>	<u>\$ 10,586,730</u>	<u>\$ 141,353</u>

E. Restricted Assets

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

	<u>Water Utility</u>	<u>Wastewater Utility</u>
Customer deposits	\$ 37,705	\$ -
Revenue bond covenant accounts	335,568	726,419
Construction and improvement accounts	784,257	430,101
Interest receivable	<u>587</u>	<u>1,822</u>
Total restricted assets	<u>\$ 1,158,117</u>	<u>\$ 1,158,342</u>

III. Other Information

A. Risk Management

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

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.

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

Medical Benefits

The Utilities have chosen to establish a risk financing fund for risks associated with employee health insurance. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$20,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. A premium is charged to each fund that accounts for payroll. The total charge allocated to each of the funds is calculated using a ratio of that fund to the total payroll. Provisions are also made for unexpected and unusual claims.

Workers' Compensation

During 2003, the City, including the Utilities, joined the Indiana Public Employers' Plan, Inc., a public entity risk pool currently operating as a common risk management and insurance program for approximately 350 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 Events

On January 2, 2007, Ordinance 1250-2007 was passed changing the Water Utility rates for usage billed after March 1, 2007.

On February 28, 2007, the City issued Waterworks Revenue Bonds of 2007, in the amount of \$2,635,000, for the West Mill Street Water Treatment Plant Expansion.

On February 28, 2007, the City received notice of release of funds and authorization to incur costs for a Community Development Block Grant in the amount of \$525,000. This will be used for the West Mill Street Water Treatment Plant Expansion.

On March 1, 2007, the City signed a \$2,335,900 agreement with R.E. Crosby & Sons, Inc., for the construction of the West Mill Street Water Treatment Plant Expansion.

C. Rate Structure

1. Water Utility

On August 3, 1992, the City Council adopted Ordinance 833 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on September 20, 2004. The Utility has 2,905 customers.

2. Wastewater Utility

The current rate structure was approved by the Council on July 5, 2006. The Utility has 2,927 customers.

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

D. 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 Utilities authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Utilities' annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available. Therefore, the liability for Net Pension Obligation (NPO) is not reported.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 160,225
Interest on net pension obligation	(9,208)
Adjustment to annual required contribution	10,493
Annual pension cost	161,510
Contributions made	151,118
Increase in net pension obligation	10,392
Net pension obligation, beginning of year	(127,003)
Net pension obligation, end of year	\$ (116,611)

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

	PERF
Contribution rates:	
Utilities	6.25%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
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	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 115,006	125%	\$ (100,900)
	06-30-05	135,209	119%	(127,003)
	06-30-06	161,510	94%	(116,611)

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

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 1,537,097	\$ 1,962,319	\$ (425,222)	78%	\$ 2,212,423	(19%)
07-01-05	1,665,345	2,304,302	(638,957)	72%	2,299,252	(28%)
07-01-06	1,942,471	2,270,261	(327,790)	86%	2,370,311	(14%)

WATER AND WASTEWATER UTILITIES
CITY OF ANGOLA
EXIT CONFERENCE

The contents of this report were discussed on September 4, 2007, with Debra A. Twitchell, Clerk-Treasurer; and Richard M. Hickman, Mayor. Our audit disclosed no material items that warrant comment at this time.