

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, 2010 to December 31, 2010



FILED
08/08/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Debra A. Twitchell	01-01-08 to 12-31-11
Mayor	Richard M. Hickman	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Richard M. Hickman	01-01-08 to 12-31-11
President of the Common Council	Richard M. Hickman	01-01-08 to 12-31-11
Superintendent of Water Utility	Daniel D. Olis	01-01-10 to 12-31-11
Superintendent of Wastewater Utility	Craig Williams	01-01-10 to 12-31-11



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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, 2010. The Utilities' management is responsible for the financial statements presented herein. Our responsibility is to express an opinion based on our examination.

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

As discussed in Note I, the financial statements of the Water and Wastewater Utilities, City of Angola, are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Utilities. They do not purport to, and do not, present fairly the financial position of the City of Angola as of December 31, 2010, 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, 2010, 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 accounting principles generally accepted in the United States of America. 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.

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

July 18, 2011

WATER AND WASTEWATER UTILITIES
CITY OF ANGOLA
STATEMENT OF NET ASSETS
December 31, 2010

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
Current assets:		
Cash and cash equivalents	\$ 146,023	\$ 265,349
Accounts receivable (net of allowance)	10,572	8,642
Accounts receivable - other	1,508	5,197
Inventories	79,071	22,441
Prepaid items	<u>2,463</u>	<u>2,463</u>
Total current assets	<u>239,637</u>	<u>304,092</u>
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Depreciation cash and investments	635,268	172,878
Bond and interest cash and investments	573,027	892,976
Construction cash and investments	-	3,500,864
SRF county contribution	-	1,368,894
Customer deposits	48,770	-
Interest receivable	<u>543</u>	<u>-</u>
Total restricted assets:	<u>1,257,608</u>	<u>5,935,612</u>
Deferred charges	<u>113,009</u>	<u>196,625</u>
Capital assets:		
Land, improvements to land and construction in progress	890,835	584,447
Other capital assets (net of accumulated depreciation)	<u>8,670,200</u>	<u>17,265,166</u>
Total capital assets	<u>9,561,035</u>	<u>17,849,613</u>
Total noncurrent assets	<u>10,931,652</u>	<u>23,981,850</u>
Total assets	<u>11,171,289</u>	<u>24,285,942</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	27,893	19,415
Accrued wages payable	13,278	15,825
Taxes payable	5,338	-
Compensated absences	15,103	14,750
Current liabilities payable from restricted assets:		
Accounts payable	635	9,327
Customer deposits	48,770	-
Revenue bonds payable	245,000	170,000
Loans payable	-	262,500
Accrued interest payable	<u>77,210</u>	<u>-</u>
Total current liabilities	<u>433,227</u>	<u>491,817</u>
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	3,803,652	4,141,847
Loans payable	-	3,237,500
IDEM payable	-	1,368,432
2009 forgivable taxable BANS, Series A	-	1,393,072
Compensated absences	<u>5,489</u>	<u>3,232</u>
Total noncurrent liabilities	<u>3,809,141</u>	<u>10,144,083</u>
Total liabilities	<u>4,242,368</u>	<u>10,635,900</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	5,512,383	8,644,694
Restricted for debt service	573,027	892,976
Restricted for construction and improvements	635,268	3,674,204
Unrestricted	<u>208,243</u>	<u>438,168</u>
Total net assets	<u>\$ 6,928,921</u>	<u>\$ 13,650,042</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, 2010

	Water Utility	Wastewater Utility
Operating revenues:		
Metered water revenue	\$ 1,103,723	\$ -
Measured revenue:		
Wastewater	-	2,039,598
Storm Water	-	158,198
Fire protection revenue	428,581	-
Penalties	8,742	26,731
Other	33,967	91,228
Total operating revenues	1,575,013	2,315,755
Operating expenses:		
Source of supply and expense - operations and maintenance	131,049	-
Water treatment expense - operations and maintenance	275,010	-
Transmission and distribution	334,500	-
Collection system - operations and maintenance	-	323,660
Pumping - operations and maintenance	-	157,471
Treatment and disposal - operations and maintenance	-	444,579
Customer accounts	70,654	65,495
Administration and general	364,236	385,278
Depreciation	382,429	739,830
Total operating expenses	1,557,878	2,116,313
Operating income	17,135	199,442
Nonoperating revenues (expenses):		
Interest and investment revenue	3,428	1,776
Miscellaneous revenue	33,979	17,218
Gain on disposal of assets	-	2,494
Interest expense	(194,488)	(296,768)
Amortization of bond issue costs	(8,687)	(15,612)
Total nonoperating revenues (expenses)	(165,768)	(290,892)
Loss before contributions and transfers	(148,633)	(91,450)
Capital contributions	65,000	2,444,273
Change in net assets	(83,633)	2,352,823
Total net assets - beginning	7,012,554	11,297,219
Total net assets - ending	\$ 6,928,921	\$ 13,650,042

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

CITY OF ANGOLA
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Year Ended December 31, 2010

	Water Utility	Wastewater Utility
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,585,646	\$ 2,325,288
Payments to suppliers and contractors	(672,809)	(773,872)
Payments to employees	(490,990)	(597,490)
Other receipts	33,979	17,547
	<u>455,826</u>	<u>971,473</u>
Net cash provided by operating activities		
Cash flows from noncapital financing activities:		
SRF Contribution	-	(631,568)
Cash flows from capital and related financing activities:		
Proceeds from capital debt	-	1,181,814
Capital contributions	-	2,233,973
Acquisition and construction of capital assets	(275,012)	(1,450,684)
Principal paid on capital debt	(235,000)	(535,000)
Interest paid on capital debt	(195,838)	(292,041)
Defeasance of bonds	-	(2,552,094)
Bond issue costs	-	(77,481)
	<u>(705,850)</u>	<u>(1,491,513)</u>
Net cash used by capital and related financing activities		
Cash flows from investing activities:		
Interest received	2,885	1,776
Net decrease in cash and cash equivalents	(247,139)	(1,149,832)
Cash and cash equivalents, January 1	<u>1,650,227</u>	<u>7,350,793</u>
Cash and cash equivalents, December 31	<u>\$ 1,403,088</u>	<u>\$ 6,200,961</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 17,135	\$ 199,442
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	382,429	739,830
Other miscellaneous income	33,979	17,547
(Increase) decrease in assets:		
Accounts receivable	10,633	9,533
Inventories	7,065	(663)
Prepaid items	314	314
Increase (decrease) in liabilities:		
Accounts payable	(5,822)	(1,462)
Accrued wages payable	2,372	2,922
Taxes Payable	(231)	-
Compensated absence payable	3,987	4,010
Customer deposits	3,965	-
	<u>438,691</u>	<u>772,031</u>
Total adjustments		
Net cash provided by operating activities	<u>\$ 455,826</u>	<u>\$ 971,473</u>
Noncash investing, capital and financing activities:		
Contributions of capital assets from City	\$ 3,965	\$ 31,300
Contributions of capital assets from developers	-	179,000
Capital asset trade-ins	-	17,432

On December 8, 2010, the Wastewater Utility issued \$4,600,000 in refunding revenue bonds to refund \$6,910,000 of outstanding 1997, 2000, and 2004 series bonds. The net proceeds of \$4,563,201 (after payment of \$42,569 in issuance costs and receipt of \$5,770 bond premium) and local contributions of \$2,552,094 were deposited in an irrevocable trust with an escrow agent. The accounting loss of \$248,923 has been recognized on the Statement of Net Assets as Deferral of Loss on Refunding and will be amortized using the straight line method and charged to interest expense over the next 13 years.

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 Changes in Fund Net Assets; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

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

The accounts of the business-type activity are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Utilities have elected not to follow subsequent private-sector guidance.

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

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

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

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

3. Restricted Assets

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

4. Capital Assets

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

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
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 \$194,488 and \$296,768, 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.

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, 2010, the Water Utility and Wastewater Utility had deposit balances in the amount of \$1,403,088 and \$6,200,961, 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, 2010, 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	621,726	222,449	9,873	834,302
Total capital assets, not being depreciated	<u>678,259</u>	<u>222,449</u>	<u>9,873</u>	<u>890,835</u>
Capital assets, being depreciated:				
Buildings	3,579,347	-	-	3,579,347
Infrastructure	5,726,258	107,373	-	5,833,631
Improvements other than buildings	7,390	-	-	7,390
Machinery and equipment	2,042,998	20,063	-	2,063,061
Totals	<u>11,355,993</u>	<u>127,436</u>	<u>-</u>	<u>11,483,429</u>
Less accumulated depreciation for:				
Buildings	(518,650)	(93,155)	-	(611,805)
Infrastructure	(1,472,586)	(115,724)	-	(1,588,310)
Improvements other than buildings	(2,956)	(370)	-	(3,326)
Machinery and equipment	(436,608)	(173,180)	-	(609,788)
Totals	<u>(2,430,800)</u>	<u>(382,429)</u>	<u>-</u>	<u>(2,813,229)</u>
Total capital assets, being depreciated, net	<u>8,925,193</u>	<u>(254,993)</u>	<u>-</u>	<u>8,670,200</u>
Total Water Utility capital assets, net	<u>\$ 9,603,452</u>	<u>\$ (32,544)</u>	<u>\$ 9,873</u>	<u>\$ 9,561,035</u>
 <u>Wastewater Utility:</u>				
Capital assets, not being depreciated:				
Land	\$ 26,625	\$ -	\$ -	\$ 26,625
Construction in progress	253,690	1,170,431	866,299	557,822
Total capital assets, not being depreciated	<u>280,315</u>	<u>1,170,431</u>	<u>866,299</u>	<u>584,447</u>
Capital assets, being depreciated:				
Buildings	6,957,403	13,240	-	6,970,643
Infrastructure	17,075,660	1,209,655	-	18,285,315
Improvements other than buildings	85,931	-	-	85,931
Machinery and equipment	1,935,688	163,072	156,304	1,942,456
Totals	<u>26,054,682</u>	<u>1,385,967</u>	<u>156,304</u>	<u>27,284,345</u>
Less accumulated depreciation for:				
Buildings	(1,820,242)	(138,958)	-	(1,959,200)
Infrastructure	(6,593,334)	(493,330)	-	(7,086,664)
Improvements other than buildings	(14,430)	(4,296)	-	(18,726)
Machinery and equipment	(980,695)	(103,246)	(129,352)	(954,589)
Totals	<u>(9,408,701)</u>	<u>(739,830)</u>	<u>(129,352)</u>	<u>(10,019,179)</u>
Total capital assets, being depreciated, net	<u>16,645,981</u>	<u>646,137</u>	<u>26,952</u>	<u>17,265,166</u>
Total Wastewater Utility capital assets, net	<u>\$ 16,926,296</u>	<u>\$ 1,816,568</u>	<u>\$ 893,251</u>	<u>\$ 17,849,613</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:

	2010
Water	\$ 382,429
Wastewater	739,830
Total depreciation expense	\$ 1,122,259

C. Construction Commitments

Construction work in progress is composed of the following:

	2010	
<u>Project</u>	Expended to December 31,	Committed
Water Utility:		
Storage tank at I-69	\$ 3,104	\$ 3,104
WTP garage	831,198	831,198
Totals	\$ 834,302	\$ 834,302
Water Utility:		
Aeration system, baffle & blower	\$ 557,822	\$ 557,822

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:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Balance at December 31</u>	<u>Less: Unamortized (Premium) Discount</u>	<u>Less: Deferral on Refunding</u>	<u>Amount</u>	<u>Amount</u>
1998 Waterworks revenue bonds	4.7% to 5%	\$ 1,115,000	\$ 15,159	\$ -	\$ 1,099,841	
2002 Waterworks revenue bonds	4.25% to 5.2%	745,000	11,189	-	733,811	
2007 Waterworks revenue bonds	4% to 4.5%	2,215,000	-	-	2,215,000	
2010 Sewage Works refunding revenue bonds, Series A	.5% to 4.75%	4,555,000	(5,770)	248,923	4,311,847	
Total		\$ 8,630,000	\$ 20,578	\$ 248,923	\$ 8,360,499	

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

Revenue bonds debt service requirements to maturity are as follows:

	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2011	\$ 245,000	\$ 185,707	\$ 170,000	\$ 69,198
2012	260,000	175,095	340,000	136,270
2013	275,000	164,505	355,000	131,983
2014	285,000	151,395	360,000	125,595
2015	295,000	138,489	390,000	117,227
2016-2020	1,710,000	473,962	2,320,000	381,468
2021-2025	820,000	154,595	620,000	44,044
2026-2030	185,000	8,325	-	-
Totals	<u>\$ 4,075,000</u>	<u>\$ 1,452,073</u>	<u>\$ 4,555,000</u>	<u>\$ 1,005,785</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
2011	\$ 262,500
2012	175,000
2013	175,000
2014	175,000
2015	175,000
2016-2020	875,000
2021-2025	875,000
2026-2030	787,500
Totals	<u>\$ 3,500,000</u>

The 2010 SRF Loan is a 0% interest loan. Draw downs from this loan were \$55,000 at December 31, 2010.

3. IDEM Payable

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

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

4. Advance Refunding

On December 8, 2010 the Wastewater Utility, City of Angola issued \$4,600,000 in refunding revenue bonds with an average interest rate of 3.718% to advance refund \$6,910,000 of outstanding 1997, 2000, and 2004 series bonds. The net proceeds of \$4,563,201 (after payment of \$42,569 in issuance cost and proceeds of \$5,770 in bond premium) and local contributions of \$2,552,094 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1997, 2000, and 2004 series bonds. As a result, these bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets. The refunding resulted in the accounting loss of \$248,923, which has been recognized on the Statement of Net Assets as Deferral of Loss on Refunding. This amount will be amortized using the straight line method and charged to interest expense over the next 13 years. The Wastewater Utility, City of Angola in effect decreased its aggregate debt service payment by \$328,052 over the next 14 years and realized an economic gain (difference between the present values of the old and new debt service payments) of \$1,197,313.

2010
\$ 3,575,000

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2010, was as follows:

<u>2010</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds payable:					
Water Utility	\$ 4,310,000	\$ -	\$ 235,000	\$ 4,075,000	\$ 245,000
Wastewater Utility	<u>3,905,000</u>	<u>4,600,000</u>	<u>3,950,000</u>	<u>4,555,000</u>	<u>170,000</u>
Total revenue bonds payable	<u>8,215,000</u>	<u>4,600,000</u>	<u>4,185,000</u>	<u>8,630,000</u>	<u>415,000</u>
Loans payable:					
Wastewater Utility	<u>6,995,000</u>	<u>-</u>	<u>3,495,000</u>	<u>3,500,000</u>	<u>262,500</u>
Compensated absences:					
Water Utility	16,605	16,218	12,231	20,592	15,103
Wastewater Utility	<u>13,972</u>	<u>15,610</u>	<u>11,600</u>	<u>17,982</u>	<u>14,750</u>
	<u>30,577</u>	<u>31,828</u>	<u>23,831</u>	<u>38,574</u>	<u>29,853</u>
Total Long-term liabilities	<u>\$ 15,240,577</u>	<u>\$ 4,631,828</u>	<u>\$ 7,703,831</u>	<u>\$ 12,168,574</u>	<u>\$ 707,353</u>

E. Restricted Assets

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

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

	Water Utility	Wastewater Utility
Depreciation	\$ 635,268	\$ 172,878
Bond and interest	573,027	892,976
Construction	-	3,500,864
SRF county contribution	-	1,368,894
Customer deposits	48,770	-
 Total restricted assets	 \$ 1,257,065	 \$ 5,935,612

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 three years. There were no significant reductions in insurance by major category of 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 12 member governmental entities. This risk pool was formed 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 worker's compensation 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 obtains independent coverage for insured events in excess of 115% of actual 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 worker's 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.

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

B. Remediation

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

C. Rate Structure

1. Water Utility

On August 3, 1992 the City Council adopted Ordinance 883 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on February 5, 2007. The Utility has 3,080 customers.

2. Wastewater Utility

The current rate structure was approved by the Council on August 24, 2009. The Utility has 2,897 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 PERF Board, most requirements of the system and give the Utility authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at three percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

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

Funding Policy

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

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the City as a whole and is not presented as an asset/liability of the proprietary funds.

Annual Pension Cost

For 2010, the City's, including the Utilities', annual pension cost of \$189,544 for PERF was equal to the City's, including the Utilities', required and actual contributions.

Actuarial Information for the Above Plan

		PERF
Annual required contribution	\$	193,460
Interest on net pension obligation		(9,719)
Adjustment to annual required contribution		11,076
Annual pension cost		194,817
Contributions made		192,268
Increase in net pension obligation		2,549
Net pension obligation, beginning of year		(134,062)
Net pension obligation, end of year	\$	(131,513)
Contribution rates:		
Government		7%
Plan members		3%
Actuarial valuation date		07-01-09
Actuarial cost method		Entry age normal cost
Amortization method		Level dollar, closed amortization period
Amortization period		30 years
Amortization period (from date)		07-01-07
Asset valuation method		75% of expected actuarial value plus 25% of market value

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

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

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

Funded Status and Funding Progress for the Above Plan

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

Retirement Plan	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
PERF	\$ 2,862,286	\$ 3,484,969	\$ 622,683	82%	\$ 2,914,979	21%

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

CITY OF ANGOLA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-07	\$ 2,248,502	\$ 2,616,243	\$ (367,741)	86%	\$ 2,576,734	(14%)
07-01-08	2,618,071	3,069,020	(450,949)	85%	2,763,721	(16%)
07-01-09	2,862,286	3,484,969	(622,683)	82%	2,914,979	(21%)

WATER AND WASTEWATER UTILITIES
CITY OF ANGOLA
EXIT CONFERENCE

The contents of this report were discussed on July 18, 2011, with Debra A. Twitchell, Clerk-Treasurer, and Richard M. Hickman, Mayor. Our examination disclosed no material items that warrant comment at this time.