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

FINANCIAL STATEMENTS AUDIT REPORT

CITY OF ANGOLA MUNICIPAL UTILITIES

STEUBEN COUNTY, INDIANA

January 1, 2018 to December 31, 2019

FILED

12/08/2020

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SCHEDULE OF OFFICIALS

Office	Official	Term
Clerk-Treasurer	Debra A. Twitchell	01-01-18 to 12-31-20
Mayor	Richard M. Hickman	01-01-18 to 12-31-20
President of the Board of Public Works and Safety	Richard M. Hickman	01-01-18 to 12-31-20
President Pro Tempore of the Common Council	David B. Martin	01-01-18 to 12-31-20
Superintendent of Water Utility	Thomas H. Selman	01-01-18 to 12-31-20
Superintendent of Wastewater Utility	Craig A. Williams	01-01-18 to 12-31-20

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the City of Angola Municipal Utilities (Utilities), departments of the City of Angola (City), as of and for the years ended December 31, 2018 and 2019, and the related notes to the financial statements, which collectively comprise the Utilities' basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Utilities' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utilities' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Utilities, as of December 31, 2018 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Emphasis of Matter

As discussed in Note I.A., the financial statements of the Utilities are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the enterprise funds 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 as of December 31, 2018 and 2019, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic 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 opinion on the basic financial statements is not affected by this missing information.

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

November 23, 2020

BASIC 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, 2018

Assets	Water Utility	Wastewater Utility
Current assets:		
Cash and cash equivalents	$ 298,454	$ 375,008
Accounts receivable (net of allowance)	69	18,748
Accounts receivable - other	2,745	13,668
Inventories	50,639	62,055
Total current assets	351,907	469,479
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Improvement cash and investments	1,810,938	1,179,308
Bond and interest cash and investments	496,708	739,398
Construction cash and investments	377,247	266,985
Customer deposits	58,115	-
Total restricted assets	2,743,008	2,185,691
Capital assets:		
Land, improvements to land and construction in progress	303,930	228,713
Other capital assets (net of accumulated depreciation)	9,628,268	16,431,573
Total capital assets	9,932,198	16,660,286
Total noncurrent assets	12,675,206	18,845,977
Total assets	13,027,113	19,315,456
Deferred outflows of resources	20,161	95,739
Liabilities		
Current liabilities:		
Accounts payable	210,313	54,028
Accrued wages payable	2,622	3,023
Taxes payable	7,668	-
Compensated absences	20,054	17,075
Current liabilities payable from restricted assets:		
Customer deposits	58,115	-
Revenue bonds payable	365,000	250,000
Loans payable	-	87,500
Accrued interest payable	31,810	-
Total current liabilities	695,582	411,626
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized Premium)	2,829,195	1,117,218
Loans payable	-	1,837,500
Compensated absences	5,024	4,418
Total noncurrent liabilities	2,834,219	2,959,136
Total liabilities	3,529,801	3,370,762
Deferred inflows of resources	37,959	-
Net position		
Net investment in capital assets	6,720,205	13,463,807
Restricted for:		
Debt service	496,708	739,398
Construction and improvements	2,188,185	1,446,293
Customer deposits	58,115	-
Unrestricted	16,301	390,935
Total net position	$ 9,479,514	$ 16,040,433

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

CITY OF ANGOLA MUNICIPAL UTILITIES
STATEMENT OF NET POSITION
December 31, 2019

Assets	Water Utility	Wastewater Utility
Current assets:		
Cash and cash equivalents	$ 289,376	$ 378,488
Accounts receivable (net of allowance)	340	18,806
Accounts receivable - other	1,820	2,451
Inventories	51,879	78,107
Total current assets	343,415	477,852
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Improvement cash and investments	2,027,936	1,558,609
Bond and interest cash and investments	498,008	845,464
Construction cash and investments	184,167	20,539
Customer deposits	61,070	-
Total restricted assets	2,771,181	2,424,612
Capital assets:		
Land, improvements to land and construction in progress	78,733	66,364
Other capital assets (net of accumulated depreciation)	9,656,135	16,398,471
Total capital assets	9,734,868	16,464,835
Total noncurrent assets	12,506,049	18,889,447
Total assets	12,849,464	19,367,299
Deferred outflows of resources	14,536	76,591
Liabilities		
Current liabilities:		
Accounts payable	81,773	189,796
Accrued wages payable	5,274	6,202
Taxes payable	7,716	-
Compensated absences	20,230	18,266
Current liabilities payable from restricted assets:		
Customer deposits	60,970	-
Revenue bonds payable	375,000	255,000
Loans payable	-	87,500
Accrued interest payable	28,950	-
Total current liabilities	579,913	556,764
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized Premium)	2,453,066	621,774
Loans payable	-	1,662,500
Compensated absences	4,527	5,117
Total noncurrent liabilities	2,457,593	2,289,391
Total liabilities	3,037,506	2,846,155
Deferred inflows of resources	35,726	-
Net position		
Net investment in capital assets	6,885,612	13,914,652
Restricted for:		
Debt service	498,008	845,464
Construction and improvements	2,212,103	1,579,148
Customer deposits	61,070	-
Unrestricted	133,975	258,471
Total net position	$ 9,790,768	$ 16,597,735

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, 2018

	Water Utility	Wastewater Utility
Operating revenues:		
Metered water revenue	$ 1,479,106	$ -
Measured revenue:		
Wastewater	-	2,434,846
Stormwater	-	231,554
Fire protection revenue	591,563	-
Penalties	4,790	23,644
Other	110,084	244,065
Total operating revenues	2,185,543	2,934,109
Operating expenses:		
Source of supply and expense - operations and maintenance	148,761	-
Water treatment expense - operations and maintenance	353,453	-
Transmission and distribution	373,638	-
Utility Receipts Tax	22,711	-
Collection system - operations and maintenance	-	387,614
Pumping - operations and maintenance	-	164,303
Treatment and disposal - operations and maintenance	-	664,328
Customer accounts	76,828	76,858
Administration and general	382,824	389,885
Depreciation	377,546	841,335
Contractual services	-	90,619
Total operating expenses	1,735,761	2,614,942
Operating income	449,782	319,167
Nonoperating revenues (expenses):		
Interest and investment revenue	51,414	53,607
Miscellaneous revenue	38,680	35,000
Gain (loss) on disposal of asset	3,000	1,024
Amortization of deferred loss	-	(18,704)
Amortization of bond premium	475	
Interest expense	(83,096)	(69,850)
Miscellaneous expense	-	(220,000)
Total nonoperating revenues (expenses)	10,473	(218,923)
Income before contributions	460,255	100,244
Capital contributions	648,918	1,708,051
Change in net assets	1,109,173	1,808,295
Total net position - beginning	8,370,341	14,232,138
Total net position - ending	$ 9,479,514	$ 16,040,433

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, 2019

	Water Utility	Wastewater Utility
Operating revenues:		
Metered water revenue	$ 1,477,817	$ -
Measured revenue:		
Wastewater	-	2,508,635
Stormwater	-	233,484
Fire protection revenue	596,410	-
Penalties	5,116	25,857
Other	119,522	177,080
Total operating revenues	2,198,865	2,945,056
Operating expenses:		
Source of supply and expense - operations and maintenance	159,032	-
Water treatment expense - operations and maintenance	414,854	-
Transmission and distribution	452,554	-
Utility Receipts Tax	22,905	-
Collection system - operations and maintenance	-	494,346
Pumping - operations and maintenance	-	132,079
Treatment and disposal - operations and maintenance	-	652,590
Customer accounts	84,791	84,984
Administration and general	424,957	413,760
Depreciation	358,618	901,920
Contractual services	-	9,628
Total operating expenses	1,917,711	2,689,307
Operating income	281,154	255,749
Nonoperating revenues (expenses):		
Interest and investment revenue	53,139	56,870
Miscellaneous revenue	38,875	72,000
Gain (loss) on disposal of asset	14,000	(6,586)
Amortization of deferred loss	-	(18,704)
Amortization of bond premium	597	-
Interest expense	(76,511)	(52,338)
Total nonoperating revenues (expenses)	30,100	51,242
Income before contributions	311,254	306,991
Capital contributions	-	250,311
Change in net assets	311,254	557,302
Total net position - beginning	9,479,514	16,040,433
Total net position - ending	$ 9,790,768	$ 16,597,735

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, 2018

	Water Utility	Wastewater Utility
Cash flows from operating activities:		
Receipts from customers and users	$ 2,401,937	$ 2,761,074
Payments to suppliers, employees and others	(1,388,300)	(1,815,649)
Net cash provided by operating activities	1,013,637	945,425
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(397,569)	(525,435)
Principal paid on capital debt	(360,000)	(645,000)
Interest paid on capital debt	(80,358)	(69,850)
Net cash used by capital and related financing activities	(837,927)	(1,240,285)
Cash flows from investing activities:		
Interest received	51,414	53,608
Net increase (decrease) in cash and cash equivalents	227,124	(241,252)
Cash and cash equivalents, January 1	2,814,338	2,801,951
Cash and cash equivalents, December 31	$ 3,041,462	$ 2,560,699
Unrestricted cash and cash equivalents	298,454	375,008
Restricted cash and cash equivalents	2,743,008	2,185,691
Cash and cash equivalents, December 31	$ 3,041,462	$ 2,560,699
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 449,782	$ 319,167
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	377,546	841,335
Other nonoperating income	35,942	35,000
(Increase) decrease in assets:		
Accounts receivable	2,592	(15,718)
Inventories	(2,335)	(664)
Increase (decrease) in liabilities:		
Accounts payable	172,232	10,238
Accrued wages payable	(23,178)	(25,660)
Taxes payable	150	-
Compensated absence payable	(1,834)	1,727
Customer deposits	2,740	-
Other nonoperating expenses	-	(220,000)
Total adjustments	563,855	626,258
Net cash provided by operating activities	$ 1,013,637	$ 945,425

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, 2019

	Water Utility	Wastewater Utility
Cash flows from operating activities:		
Receipts from customers and users	$ 2,243,949	$ 3,169,052
Payments to suppliers, employees and others	(1,692,053)	(1,803,489)
Net cash provided by operating activities	551,896	1,365,563
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(147,289)	(462,694)
Principal paid on capital debt	(365,000)	(665,000)
Interest paid on capital debt	(73,651)	(52,338)
Net cash used by capital and related financing activities	(585,940)	(1,180,032)
Cash flows from investing activities:		
Interest received	53,139	56,870
Net increase (decrease) in cash and cash equivalents	19,095	242,401
Cash and cash equivalents, January 1	3,041,462	2,560,699
Cash and cash equivalents, December 31	$ 3,060,557	$ 2,803,100
Unrestricted cash and cash equivalents	289,376	378,488
Restricted cash and cash equivalents	2,771,181	2,424,612
Cash and cash equivalents, December 31	$ 3,060,557	$ 2,803,100
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 281,154	$ 255,749
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	358,618	901,920
Other nonoperating income	36,015	72,000
(Increase) decrease in assets:		
Accounts receivable	654	11,159
Inventories	(1,240)	(16,102)
Increase (decrease) in liabilities:		
Accounts payable	(128,540)	135,768
Accrued wages payable	2,653	3,179
Taxes payable	48	-
Compensated absence payable	(321)	1,890
Customer deposits	2,855	-
Total adjustments	270,742	1,109,814
Net cash provided by operating activities	$ 551,896	$ 1,365,563

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

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the City of 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.

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 2018 and 2019 financial statements report Water Utility restricted net position of $2,743,008 and $ 2,771,181, respectively, all of which are restricted by enabling legislation; and Wastewater Utility restricted net position of $2,185,691 and $2,424,612, respectively, all of which 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:

	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 year 2018 was $83,096 and $69,850, respectively, and the year 2019 was $76,511 and $52,338, respectively. Of these amounts, nothing was included as part of the cost of capital assets under construction.

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 6 days per year. Personal leave does not accumulate from year to year.

Vacation and Sick Leave are 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, 2019, the deposit balances were $3,060,557 and $2,803,100 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.

B. Capital Assets

Capital asset activity for the years ended December 31, 2018 and 2019, were as follows:

Water Utility	Balance 01-01-18	Increases	Decreases	Balance 12-31-18
Capital assets, not being depreciated:				
Land	$ 56,533	$ -	$ -	$ 56,533
Construction in progress	15,491	231,906	-	247,397
Total capital assets, not being depreciated	72,024	231,906	-	303,930
Capital assets, being depreciated:				
Buildings	3,601,864	-	-	3,601,864
Infrastructure	7,280,898	648,918	-	7,929,816
Improvements other than buildings	7,390	-	-	7,390
Machinery and equipment	3,083,981	168,662	57,661	3,194,982
Totals	13,974,133	817,580	57,661	14,734,052
Less accumulated depreciation for:				
Buildings	(1,257,787)	(91,492)	-	(1,349,279)
Infrastructure	(2,458,522)	(126,695)	-	(2,585,217)
Improvements other than buildings	(5,912)	(370)	-	(6,282)
Machinery and equipment	(1,063,678)	(158,989)	(57,661)	(1,165,006)
Totals	(4,785,899)	(377,546)	(57,661)	(5,105,784)
Total capital assets, being depreciated, net	9,188,234	440,034	-	9,628,268
Total Water Utility capital assets, net	$ 9,260,258	$ 671,940	$ -	$ 9,932,198

Water Utility	Balance 01-01-19	Increases	Decreases	Balance 12-31-19
Capital assets, not being depreciated:				
Land	$ 56,533	$ -	$ -	$ 56,533
Construction in progress	247,397	50,530	275,727	22,200
Total capital assets, not being depreciated	303,930	50,530	275,727	78,733
Capital assets, being depreciated:				
Buildings	3,601,864	57,982	-	3,659,846
Infrastructure	7,929,816	-	-	7,929,816
Improvements other than buildings	7,390	-	-	7,390
Machinery and equipment	3,194,982	328,503	24,975	3,498,510
Totals	14,734,052	386,485	24,975	15,095,562
Less accumulated depreciation for:				
Buildings	(1,349,279)	(82,277)	-	(1,431,556)
Infrastructure	(2,585,217)	(118,697)	-	(2,703,914)
Improvements other than buildings	(6,282)	(370)	-	(6,652)
Machinery and equipment	(1,165,006)	(157,274)	(24,975)	(1,297,305)
Totals	(5,105,784)	(358,618)	(24,975)	(5,439,427)
Total capital assets, being depreciated, net	9,628,268	27,867	-	9,656,135
Total Water Utility capital assets, net	$ 9,932,198	$ 78,397	$ 275,727	$ 9,734,868

Wastewater Utility	Balance 01-01-18	Increases	Decreases	Balance 12-31-18
Capital assets, not being depreciated:				
Land	$ 26,626	$ -	$ -	$ 26,626
Construction in progress	320,999	349,092	468,004	202,087
Total capital assets, not being depreciated	347,625	349,092	468,004	228,713
Capital assets, being depreciated:				
Buildings	7,613,401	-	-	7,613,401
Infrastructure	19,743,698	2,203,666	-	21,947,364
Improvements other than buildings	250,854	10,000	-	260,854
Machinery and equipment	2,665,325	176,121	36,365	2,805,081
Totals	30,273,278	2,389,787	36,365	32,626,700
Less accumulated depreciation for:				
Buildings	(3,135,662)	(171,855)	-	(3,307,517)
Infrastructure	(10,715,962)	(528,523)	-	(11,244,485)
Improvements other than buildings	(60,386)	(10,675)	-	(71,061)
Machinery and equipment	(1,441,782)	(130,282)	-	(1,572,064)
Totals	(15,353,792)	(841,335)	-	(16,195,127)
Total capital assets, being depreciated, net	14,919,486	1,548,452	36,365	16,431,573
Total Wastewater Utility capital assets, net	$ 15,267,111	$ 1,897,544	$ 504,369	$ 16,660,286

Wastewater Utility	Balance 01-01-19	Increases	Decreases	Balance 12-31-19
Capital assets, not being depreciated:				
Land	$ 26,626	$ -	$ -	$ 26,626
Construction in progress	202,087	225,684	388,033	39,738
Total capital assets, not being depreciated	228,713	225,684	388,033	66,364
Capital assets, being depreciated:				
Buildings	7,613,401	404,398	-	8,017,799
Infrastructure	21,947,364	274,337	-	22,221,701
Improvements other than buildings	260,854	-	-	260,854
Machinery and equipment	2,805,081	234,731	59,919	2,979,893
Totals	32,626,700	913,466	59,919	33,480,247
Less accumulated depreciation for:				
Buildings	(3,307,517)	(170,994)	-	(3,478,511)
Infrastructure	(11,244,485)	(588,483)	-	(11,832,968)
Improvements other than buildings	(71,061)	(10,875)	-	(81,936)
Machinery and equipment	(1,572,064)	(131,568)	(15,271)	(1,688,361)
Totals	(16,195,127)	(901,920)	(15,271)	(17,081,776)
Total capital assets, being depreciated, net	16,431,573	11,546	44,648	16,398,471
Total Wastewater Utility capital assets, net	$ 16,660,286	$ 237,230	$ 432,681	$ 16,464,835

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

	2018	2019
Water	$ 377,546	$ 358,618
Wastewater	841,335	901,920
Total depreciation expense	$ 1,218,881	$ 1,260,538

C. Construction Commitments

Construction work in progress is composed of the following:

	2018		2019	
Project	Expended to December 31,	Committed	Expended to December 31,	Committed
Water Utility:				
WMTP Clearwell	$ 11,730	$ 11,730	$ -	$ -
HSP Building & Equipment Improvements	235,667	235,667	-	-
SR 127 Water Main Replacement	-	-	22,200	22,200
Total Water Utility	$ 247,397	$ 247,397	$ 22,200	$ 22,200
Wastewater Utility:				
Blower Building Improvements	$ 202,087	$ 202,087	$ -	$ -
Carlin Dr Reconstruction	-	-	39,738	39,738
Total Wastewater Utility	$ 202,087	$ 202,087	$ 39,738	$ 39,738

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, 2018 and 2019, are as follows:

Purpose	Interest Rates	Balance at 12/31/18	Less: Unamortized (Premium) Discount	Amount
Water Utility:				
2012 Waterworks refunding revenue bonds	1.5% to 2.5%	$ 790,000	$ -	$ 790,000
2015 Waterworks revenue bonds	2% to 3.5%	2,385,000	(19,195)	2,404,195
Total Water Utility		$ 3,175,000	$ (19,195)	$ 3,194,195
Wastewater Utility:				
2010 Sewage Works refunding revenue bonds, Series A	2.5% to 4.75%	$ 1,365,000	$ (2,218)	$ 1,367,218
Total Wastewater Utility		$ 1,365,000	$ (2,218)	$ 1,367,218

Purpose	Interest Rates	Balance at 12/31/19	Less: Unamortized (Premium) Discount	Amount
Water Utility:				
2012 Waterworks refunding revenue bonds	1.5% to 2.5%	$ 580,000	$ -	$ 580,000
2015 Waterworks revenue bonds	2% to 3.5%	2,230,000	(18,066)	2,248,066
Total Water Utility		$ 2,810,000	$ (18,066)	$ 2,828,066
Wastewater Utility:				
2010 Sewage Works refunding revenue bonds, Series A	3.0% to 4.75%	$ 875,000	$ (1,774)	$ 876,774
Total Wastewater Utility		$ 875,000	$ (1,774)	$ 876,774

Revenue bonds debt service requirements to maturity are as follows:

	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2020	$ 375,000	69,658	$ 255,000	$ 19,025
2021	380,000	62,131	320,000	22,431
2022	290,000	54,081	115,000	12,944
2023	230,000	46,456	130,000	7,363
2024	235,000	41,712	55,000	1,306
2025-2029	740,000	136,108	-	-
2030-2034	460,000	61,776	-	-
2035-2039	100,000	2,625	-	-
Totals	$ 2,810,000	$ 474,547	$ 875,000	$ 63,069

2. Advance Refunding

On October 14, 2015, the Utilities issued $1,720,000 in refunding revenue bonds with an average interest rate of 2.80% to advance refund $1,670,000 of outstanding 2007 revenue bonds with an average interest rate of 4.31%. The net proceeds of $1,715,831 (after payment of $26,000 in issuance costs and $21,831 gain from bond premium) 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 refunded 2007 revenue 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 Position. The refunding resulted in the accounting gain of $44,658 which has been recognized on the Statement of Net Position as deferred inflow of resources. This amount will be amortized using the straight-line method and charged to interest expense over the next twenty years. The Utilities in effect reduced its aggregate debt service payments by $130,024 over the next twenty years and realized an economic gain (difference between the present values of the old and new debt service payments of $103,209).

3. 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. The 2010 SRF Loan is a 0% interest loan. Annual debt service requirements to maturity for the loan, including interest of $0, are as follows:

	Principal
2020	$ 87,500
2021	175,000
2022	175,000
2023	175,000
2024	175,000
2025-2029	875,000
2030-2034	87,500
Total	$ 1,750,000

4. Changes in Long-Term Liabilities

Long-term liability activity for the years ended December 31, 2018 and 2019, were as follows:

2018	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water Utility:					
Revenue Bonds Payable	$ 3,535,000	$ -	$ 360,000	$ 3,175,000	$ 365,000
Compensated Absences Payable	26,912	25,078	26,912	25,078	20,054
Total water utility long-term liabilities	3,561,912	25,078	386,912	3,200,078	385,054
Wastewater Utility:					
Revenue Bonds Payable	1,835,000	-	470,000	1,365,000	250,000
Loans Payable	2,100,000	-	175,000	1,925,000	87,500
Compensated Absences Payable	19,766	21,493	19,766	21,493	17,075
Total wastewater utility long-term liabilities	3,954,766	21,493	664,766	3,311,493	354,575
Total Long-term liabilities	$ 7,516,678	$ 46,571	$ 1,051,678	$ 6,511,571	$ 739,629

2019	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water Utility:					
Revenue Bonds Payable	$3,175,000	$ -	$ 365,000	$2,810,000	$ 375,000
Compensated Absences Payable	25,078	24,757	25,078	24,757	20,230
Total water utility long-term liabilities	3,200,078	24,757	390,078	2,834,757	395,230
Wastewater Utility:					
Revenue Bonds Payable	1,365,000	-	490,000	875,000	255,000
Loans Payable	1,925,000	-	175,000	1,750,000	87,500
Compensated Absences Payable	21,493	23,383	21,493	23,383	18,266
Total wastewater utility long-term liabilities	3,311,493	23,383	686,493	2,648,383	360,766
Total Long-term liabilities	$6,511,571	$ 48,140	$1,076,571	$5,483,140	$ 755,996

E. Restricted Assets

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

	2018 Water Utility	2018 Wastewater Utility
Improvement	$ 1,810,938	$ 1,179,308
Bond and interest	496,708	739,398
Construction	377,247	266,985
Customer deposits	58,115	-
Total restricted assets	$ 2,743,008	$ 2,185,691

	2019 Water Utility	2019 Wastewater Utility
Improvement	$ 2,027,936	$ 1,558,609
Bond and interest	498,008	845,464
Construction	184,167	20,539
Customer deposits	61,070	-
Total restricted assets	$ 2,771,181	$ 2,424,612

F. Revenues Pledged

Water Utility Revenues Pledged

The Utility has pledged future operating revenues, net of specific operating expenditures, to repay revenue bonds issued in 2012 and 2015. Proceeds from the bonds provided financing for waterworks improvements. The bonds are payable solely from net operating revenues and are payable through 2035. Annual principal and interest payments are expected to require less than 23 percent of operating revenues.

Wastewater Utility Revenues Pledged

The Utility has pledged future operating revenues, net of specific operating expenditures, to repay revenue bonds and loans issued in 2010. Proceeds from the bonds and loans provided financing for wastewater improvements. The bonds and loans are payable solely from net operating revenues and are payable through 2030. 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 September 15, 2015. As of December 31, 2019, the Utility has 3,181 customers.

2. Wastewater Utility

The current rate structure was approved by the Utility on December 3, 2018. As of December 31, 2019, the Utility has 3,153 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 changed 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 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) 876-2707

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 Liability (NPL) is considered an obligation of the City as a whole. The Utilities apportioned their share of the City's Net Pension Liability using Water employees' payroll and Wastewater employees' payroll compared to the total PERF payroll. The apportioned amount of Net Pension Liability for the Water and Wastewater Utilities was not material to the financial statements and is not presented as an asset/liability of the proprietary funds.

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/.