

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

FINANCIAL STATEMENTS AUDIT REPORT

OF

CITY OF ANGOLA WATER AND WASTEWATER UTILITIES

STEBEN COUNTY, INDIANA

January 1, 2020 to December 31, 2021



FILED
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TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-4
Basic Financial Statements and Accompanying Notes:	
Statements of Net Position	6-7
Statements of Revenues, Expenses and Changes in Net Position	8-9
Statements of Cash Flows.....	10-11
Notes to Financial Statements.....	12-31
Other Reports.....	32

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Debra A. Twitchell Ryan P. Herbert	01-01-20 to 06-30-21 07-01-21 to 12-31-22
Mayor	Richard M. Hickman	01-01-20 to 12-31-22
President of the Board of Public Works and Safety	Richard M. Hickman	01-01-20 to 12-31-22
President Pro Tempore of the Common Council	David B. Martin	01-01-20 to 12-31-22
Superintendent of Water Utility	Thomas H. Selman	01-01-20 to 12-31-22
Superintendent of Wastewater Utility	Craig A. Williams (Vacant) Jeffery S. Gaff	01-01-20 to 04-03-21 04-04-21 to 05-01-21 05-02-21 to 12-31-22



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the City of Angola Water and Wastewater Utilities (Utilities), departments of the City of Angola, as of and for the years ended December 31, 2020 and 2021, and the related notes to the financial statements, which collectively comprise the Utilities' basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Utilities, departments of the City of Angola, as of December 31, 2020 and 2021, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Utilities, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note I. A., the financial statements of the Utilities are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion 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, 2020 and 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.


In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Utilities' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis, Schedule of the Proportionate Share of the Net Pension Liability (PERF), and Schedule of Contributions (PERF) 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 Governmental 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.


Beth Kelley, CPA, CFE
Deputy State Examiner

November 9, 2022

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 WATER AND WASTEWATER UTILITIES
STATEMENT OF NET POSITION
December 31, 2020

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
Current assets:		
Cash and cash equivalents	\$ 287,399	\$ 333,476
Accounts receivable (net of allowance)	(1,978)	19,398
Accounts receivable - other	4,787	7,276
Inventories	57,161	72,978
	<u>347,369</u>	<u>433,128</u>
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Improvement cash and investments	2,294,909	1,619,261
Bond and interest cash and investments	496,967	1,118,940
Construction cash and investments	92,970	-
Customer deposits	64,775	-
	<u>2,949,621</u>	<u>2,738,201</u>
Capital assets:		
Land, improvements to land and construction in progress	112,033	272,502
Other capital assets (net of accumulated depreciation)	9,451,718	15,879,421
	<u>9,563,751</u>	<u>16,151,923</u>
Total noncurrent assets	<u>12,513,372</u>	<u>18,890,124</u>
Total assets	<u>12,860,741</u>	<u>19,323,252</u>
<u>Deferred outflows of resources</u>		
Deferred outflows of resources- deferred loss on bond refunding	8,911	57,443
Deferred outflows of resources- pension	67,184	81,050
	<u>76,095</u>	<u>138,493</u>
Total deferred outflows of resources	<u>76,095</u>	<u>138,493</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	49,234	426,725
Accrued wages payable	10,807	13,715
Taxes payable	7,364	-
Compensated absences payable	19,820	22,051
Current liabilities payable from restricted assets:		
Customer deposits	64,675	-
Revenue bonds payable	380,000	65,000
Loans payable	-	87,500
Accrued interest payable	25,832	-
	<u>557,732</u>	<u>614,991</u>
Total current liabilities	<u>557,732</u>	<u>614,991</u>
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized premium)	2,071,937	301,330
Loans payable	-	1,487,500
Compensated absences payable	4,018	5,156
Net pension liability	315,049	380,073
	<u>2,391,004</u>	<u>2,174,059</u>
Total noncurrent liabilities	<u>2,391,004</u>	<u>2,174,059</u>
Total liabilities	<u>2,948,736</u>	<u>2,789,050</u>
<u>Deferred inflows of resources</u>		
Deferred inflows of resources- deferred gain on bond refunding	33,493	-
Deferred inflows of resources- pension	117,184	141,369
	<u>150,677</u>	<u>141,369</u>
Total deferred inflows of resources	<u>150,677</u>	<u>141,369</u>
<u>Net position</u>		
Net investment in capital assets	7,037,232	14,210,593
Restricted for:		
Debt service	496,967	1,118,940
Construction and improvements	2,387,879	1,619,261
Customer deposits	64,775	-
Unrestricted	(149,430)	(417,467)
	<u>9,837,423</u>	<u>16,531,327</u>
Total net position	<u>\$ 9,837,423</u>	<u>\$ 16,531,327</u>

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

CITY OF ANGOLA WATER AND WASTEWATER UTILITIES
STATEMENT OF NET POSITION
December 31, 2021

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
Current assets:		
Cash and cash equivalents	\$ 254,094	\$ 407,460
Accounts receivable (net of allowance)	3,746	22,528
Accounts receivable - other	5,651	74,240
Inventories	<u>65,879</u>	<u>76,195</u>
Total current assets	<u>329,370</u>	<u>580,423</u>
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Improvement cash and investments	2,386,143	1,644,311
Bond and interest cash and investments	456,112	912,227
Construction cash and investments	36,976	-
Customer deposits	<u>67,855</u>	<u>-</u>
Total restricted assets	<u>2,947,086</u>	<u>2,556,538</u>
Capital assets:		
Land, improvements to land and construction in progress	112,033	638,222
Other capital assets (net of accumulated depreciation)	<u>9,225,223</u>	<u>15,361,449</u>
Total capital assets	<u>9,337,256</u>	<u>15,999,671</u>
Total noncurrent assets	<u>12,284,342</u>	<u>18,556,209</u>
Total assets	<u>12,613,712</u>	<u>19,136,632</u>
<u>Deferred outflows of resources</u>		
Deferred outflows of resources- deferred loss on bond refunding	3,286	38,295
Deferred outflows of resources- pension	<u>116,776</u>	<u>143,469</u>
Total deferred outflows of resources	<u>120,062</u>	<u>181,764</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	39,337	218,946
Accrued wages payable	15,748	18,895
Taxes payable	7,217	-
Compensated absences	24,747	20,668
Current liabilities payable from restricted assets:		
Customer deposits	67,855	-
Revenue bonds payable	290,000	60,000
Loans payable	-	87,500
Accrued interest payable	<u>22,485</u>	<u>-</u>
Total current liabilities	<u>467,389</u>	<u>406,009</u>
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts)	1,780,808	185,886
Loans payable	-	1,312,500
Compensated absences payable	4,250	4,954
Net pension liability	<u>142,890</u>	<u>175,554</u>
Total noncurrent liabilities	<u>1,927,948</u>	<u>1,678,894</u>
Total liabilities	<u>2,395,337</u>	<u>2,084,903</u>
<u>Deferred inflows of resources</u>		
Deferred inflows of resources- deferred gain on bond refunding	31,260	-
Deferred inflows of resources- pension	<u>245,767</u>	<u>301,946</u>
Total deferred inflows of resources	<u>277,027</u>	<u>301,946</u>
<u>Net position</u>		
Net investment in capital assets	7,109,483	14,233,603
Restricted for:		
Debt service	456,112	912,227
Construction and improvements	2,423,119	1,644,311
Customer deposits	67,855	-
Unrestricted	<u>4,841</u>	<u>141,406</u>
Total net position	<u>\$ 10,061,410</u>	<u>\$ 16,931,547</u>

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

CITY OF ANGOLA WATER AND WASTEWATER UTILITIES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For The Year Ended December 31, 2020

	Water Utility	Wastewater Utility
Operating revenues:		
Metered water revenue	\$ 1,500,827	\$ -
Measured revenue:		
Wastewater	-	2,459,619
Stormwater	-	236,711
Fire protection revenue	596,968	-
Penalties	4,242	21,215
Other	<u>87,120</u>	<u>281,077</u>
Total operating revenues	<u>2,189,157</u>	<u>2,998,622</u>
Operating expenses:		
Source of supply and expense - operations and maintenance	179,997	-
Water treatment expense - operations and maintenance	361,400	-
Transmission and distribution	376,743	-
Utility receipts tax	21,555	-
Collection system - operations and maintenance	-	384,067
Pumping - operations and maintenance	-	128,798
Treatment and disposal - operations and maintenance	-	687,829
Customer accounts	77,111	75,873
Administration and general	792,447	904,703
Depreciation	365,470	931,313
Contractual services	<u>-</u>	<u>20,586</u>
Total operating expenses	<u>2,174,723</u>	<u>3,133,169</u>
Operating income (loss)	<u>14,434</u>	<u>(134,547)</u>
Nonoperating revenues (expenses):		
Interest and investment revenue	53,122	37,530
Miscellaneous revenue	38,876	80,000
Gain (loss) on disposal of asset	9,000	(662)
Amortization of deferred gain	2,233	-
Amortization of deferred loss	(5,625)	(19,148)
Amortization of bond premium	1,129	444
Interest expense	<u>(66,514)</u>	<u>(32,950)</u>
Total nonoperating revenues	<u>32,221</u>	<u>65,214</u>
Income (loss) before contributions	46,655	(69,333)
Capital contributions	<u>-</u>	<u>2,925</u>
Change in net position	46,655	(66,408)
Total net position - beginning	<u>9,790,768</u>	<u>16,597,735</u>
Total net position - ending	<u>\$ 9,837,423</u>	<u>\$ 16,531,327</u>

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

CITY OF ANGOLA WATER AND WASTEWATER UTILITIES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For The Year Ended December 31, 2021

	Water Utility	Wastewater Utility
Operating revenues:		
Metered water revenue	\$ 1,284,462	\$ -
Measured revenue:		
Wastewater	-	2,689,524
Stormwater	-	238,752
Fire protection revenue	647,823	-
Penalties	4,057	25,969
Other	91,701	188,030
	<u>2,028,043</u>	<u>3,142,275</u>
Total operating revenues	2,028,043	3,142,275
Operating expenses:		
Source of supply and expense - operations and maintenance	169,188	-
Water treatment expense - operations and maintenance	445,382	-
Transmission and distribution	345,836	-
Utility receipts tax	27,632	-
Collection system - operations and maintenance	-	402,776
Pumping - operations and maintenance	-	131,109
Treatment and disposal - operations and maintenance	-	818,235
Customer accounts	75,881	75,623
Administration and general	364,686	505,481
Depreciation	369,442	950,474
	<u>1,798,047</u>	<u>2,883,698</u>
Total operating expenses	1,798,047	2,883,698
Operating income	229,996	258,577
Nonoperating revenues (expenses):		
Interest and investment revenue	1,640	1,244
Miscellaneous revenue	44,014	33,000
Gain (loss) on disposal of asset	9,384	686
Amortization of deferred gain	2,233	-
Amortization of deferred loss	(5,625)	(19,148)
Amortization of bond premium	1,129	444
Interest expense	(58,784)	(15,631)
	<u>(6,009)</u>	<u>595</u>
Total nonoperating revenues (expenses)	(6,009)	595
Income before contributions	223,987	259,172
Capital contributions	-	141,048
	<u>223,987</u>	<u>400,220</u>
Change in net position	223,987	400,220
Total net position - beginning	9,837,423	16,531,327
Total net position - ending	\$ 10,061,410	\$ 16,931,547

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

CITY OF ANGOLA WATER AND WASTEWATER UTILITIES
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2020

	Water Utility	Wastewater Utility
Cash flows from operating activities:		
Receipts from customers and users	\$ 2,222,102	\$ 3,078,334
Payments to suppliers, employees and others	(1,468,776)	(1,513,198)
Net cash provided by operating activities	<u>753,326</u>	<u>1,565,136</u>
Cash flows from capital and related financing activities:		
Capital contributions	-	2,925
Acquisition and construction of capital assets	(194,353)	(657,464)
Principal paid on capital debt	(375,000)	(685,000)
Interest paid on capital debt	(69,632)	(32,950)
Proceeds from sale of assets	9,000	38,400
Net cash used by capital and related financing activities	<u>(629,985)</u>	<u>(1,334,089)</u>
Cash Flows from Investing activities		
Interest received	<u>53,122</u>	<u>37,530</u>
Net increase in cash and cash equivalents	176,463	268,577
Cash and cash equivalents, January 1	<u>3,060,557</u>	<u>2,803,100</u>
Cash and cash equivalents, December 31	<u>\$ 3,237,020</u>	<u>\$ 3,071,677</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	14,434	(134,547)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	365,470	931,313
Other nonoperating income	38,876	80,000
(Increase) decrease in assets:		
Accounts receivable	(649)	(5,417)
Inventories	(5,282)	5,129
Pension related deferred outflow	(67,184)	(81,050)
Increase (decrease) in liabilities:		
Accounts payable	(32,539)	236,929
Accrued wages payable	5,533	7,513
Taxes payable	(352)	-
Compensated absence payable	(919)	3,824
Customer deposits	3,705	-
Pension liability	315,049	380,073
Pension related deferred inflows	117,184	141,369
Total adjustments	738,892	1,699,683
Net cash provided by operating activities	<u>\$ 753,326</u>	<u>\$ 1,565,136</u>

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

CITY OF ANGOLA WATER AND WASTEWATER UTILITIES
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2021

	Water Utility	Wastewater Utility
Cash flows from operating activities:		
Receipts from customers and users	\$ 2,056,751	\$ 3,101,964
Payments to suppliers, employees and others	(1,518,537)	(2,243,769)
Net cash provided by operating activities	<u>538,214</u>	<u>858,195</u>
Cash flows from capital and related financing activities:		
Capital contributions	-	141,048
Acquisition and construction of capital assets	(147,061)	(840,110)
Principal paid on capital debt	(380,000)	(295,000)
Interest paid on capital debt	(62,131)	(15,631)
Proceeds from sale of assets	13,500	42,574
Net cash used by capital and related financing activities	<u>(575,692)</u>	<u>(967,119)</u>
Cash Flows from Investing activities		
Interest received	<u>1,640</u>	<u>1,244</u>
Net increase (decrease) in cash and cash equivalents	(35,838)	(107,680)
Cash and cash equivalents, January 1	<u>3,237,020</u>	<u>3,071,677</u>
Cash and cash equivalents, December 31	<u>\$ 3,201,182</u>	<u>\$ 2,963,997</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income	229,996	258,577
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	369,442	950,474
Other nonoperating income	44,014	33,000
(Increase) decrease in assets:		
Accounts receivable	(6,588)	(70,094)
Inventories	(8,718)	(3,217)
Pension related deferred outflow	(49,592)	(62,419)
Increase (decrease) in liabilities:		
Accounts payable	(9,897)	(207,778)
Accrued wages payable	4,941	5,180
Taxes payable	(147)	-
Compensated absence payable	5,159	(1,585)
Customer deposits	3,180	-
Pension liability	(172,159)	(204,519)
Pension related deferred inflows	128,583	160,577
Total adjustments	308,218	599,619
Net cash provided by operating activities	<u>\$ 538,214</u>	<u>\$ 858,196</u>

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

CITY OF ANGOLA WATER AND WASTEWATER UTILITIES
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the City of Angola Water and Wastewater 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, 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 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, Deferred Outflows/Inflows of Resources and Net Position or Equity

1. Deposits and Investments

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

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

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

2. Inventories and Prepaid Items

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

CITY OF ANGOLA WATER AND WASTEWATER UTILITIES
 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 Position because they are maintained in separate funds and/or bank accounts and their use is limited by applicable bond covenants.

The 2020 and 2021 financial statements report Water Utility restricted net position of \$2,949,621 and \$2,947,086, respectively, all of which are restricted by enabling legislation; and Wastewater Utility restricted net position of \$2,738,201 and \$2,556,538, 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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 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 2020 was \$66,514 and \$32,950, respectively, and the year 2021 was \$58,784 and \$15,631, 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.

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

- 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 is accrued when incurred.

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

7. Deferred Inflows/Outflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial section element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The Utilities have deferred charges on refunding reported in the Statement of Net Position (debt refunding loss) that qualify for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Also included in this category are the deferred outflows of resources related to pensions as detailed in Note III, C.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement section element, deferred inflows of resources, represents an acquisition of net position that applies to future periods, and therefore, will not be recognized as an inflow of resources (revenue) until then.

The Utilities have deferred credits on refunding reported in the Statement of Net Position (debt refunding gain) that qualify for reporting in this category. A deferred credit on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Also included in this category are the deferred inflows related to pensions

8. Future Adoption of Accounting Pronouncements

The Governmental Accounting Standards (GASB) has approved the following:

- Statement No. 87, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Statement No. 94, *Public Private and Public-Public Partnerships and Availability Payment Arrangements*

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

The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87 which was postponed by one and a half years.

When they become effective, application of these standards may restate portions of these financial statements.

E. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered immaterial and do not affect the overall presentation of the financial statements.

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, 2021, the deposit balances were \$3,201,180 and \$2,963,998 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, 2020 and 2021, was as follows:

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

<u>Water Utility</u>	Balance 01-01-20	Increases	Decreases	Balance 12-31-20
Capital assets, not being depreciated:				
Land	\$ 56,533	\$ -	\$ -	\$ 56,533
Construction in progress	22,200	33,300	-	55,500
	<u>78,733</u>	<u>33,300</u>	<u>-</u>	<u>112,033</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	3,659,846	-	-	3,659,846
Infrastructure	7,929,815	63,420	-	7,993,235
Improvements other than buildings	7,390	-	-	7,390
Machinery and equipment	3,498,511	97,633	24,973	3,571,171
	<u>15,095,562</u>	<u>161,053</u>	<u>24,973</u>	<u>15,231,642</u>
Totals				
Less accumulated depreciation for:				
Buildings	(1,431,557)	(84,870)	-	(1,516,427)
Infrastructure	(2,703,915)	(118,593)	-	(2,822,508)
Improvements other than buildings	(6,652)	(369)	(4,162)	(2,859)
Machinery and equipment	(1,297,305)	(165,799)	(24,973)	(1,438,131)
	<u>(5,439,429)</u>	<u>(369,631)</u>	<u>(29,135)</u>	<u>(5,779,925)</u>
Totals				
Total capital assets, being depreciated, net	<u>9,656,133</u>	<u>(208,578)</u>	<u>(4,162)</u>	<u>9,451,717</u>
Total Water Utility capital assets, net	<u>\$ 9,734,866</u>	<u>\$ (175,278)</u>	<u>\$ (4,162)</u>	<u>\$ 9,563,750</u>
<u>Water Utility</u>	Balance 01-01-21	Increases	Decreases	Balance 12-31-21
Capital assets, not being depreciated:				
Land	\$ 56,533	\$ -	\$ -	\$ 56,533
Construction in progress	55,500	-	-	55,500
	<u>112,033</u>	<u>-</u>	<u>-</u>	<u>112,033</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	3,659,846	-	-	3,659,846
Infrastructure	7,993,235	30,124	-	8,023,359
Improvements other than buildings	7,390	-	-	7,390
Machinery and equipment	3,571,171	116,937	34,364	3,653,744
	<u>15,231,642</u>	<u>147,061</u>	<u>34,364</u>	<u>15,344,339</u>
Totals				
Less accumulated depreciation for:				
Buildings	(1,516,427)	(84,870)	-	(1,601,297)
Infrastructure	(2,822,508)	(118,147)	-	(2,940,655)
Improvements other than buildings	(2,859)	(369)	-	(3,228)
Machinery and equipment	(1,438,131)	(166,054)	(30,248)	(1,573,937)
	<u>(5,779,925)</u>	<u>(369,440)</u>	<u>(30,248)</u>	<u>(6,119,117)</u>
Totals				
Total capital assets, being depreciated, net	<u>9,451,717</u>	<u>(222,379)</u>	<u>4,116</u>	<u>9,225,222</u>
Total Water Utility capital assets, net	<u>\$ 9,563,750</u>	<u>\$ (222,379)</u>	<u>\$ 4,116</u>	<u>\$ 9,337,255</u>

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

<u>Wastewater Utility</u>	Balance 01-01-20	Increases	Decreases	Balance 12-31-20
Capital assets, not being depreciated:				
Land	\$ 26,626	\$ -	\$ -	\$ 26,626
Construction in progress	39,739	248,318	42,180	245,877
	<u>66,365</u>	<u>248,318</u>	<u>42,180</u>	<u>272,503</u>
Capital assets, being depreciated:				
Buildings	8,017,799	-	-	8,017,799
Infrastructure	22,221,700	131,619	-	22,353,319
Improvements other than buildings	260,854	-	-	260,854
Machinery and equipment	2,979,892	319,706	61,747	3,237,851
	<u>33,480,245</u>	<u>451,325</u>	<u>61,747</u>	<u>33,869,823</u>
Less accumulated depreciation for:				
Buildings	(3,478,510)	(197,894)	-	(3,676,404)
Infrastructure	(11,832,967)	(591,088)	-	(12,424,055)
Improvements other than buildings	(81,937)	(11,278)	-	(93,215)
Machinery and equipment	(1,688,360)	(131,053)	(22,685)	(1,796,728)
	<u>(17,081,774)</u>	<u>(931,313)</u>	<u>(22,685)</u>	<u>(17,990,402)</u>
Total capital assets, being depreciated, net	<u>16,398,471</u>	<u>(479,988)</u>	<u>39,062</u>	<u>15,879,421</u>
Total Wastewater Utility capital assets, net	<u>\$ 16,464,836</u>	<u>\$ (231,670)</u>	<u>\$ 81,242</u>	<u>\$ 16,151,924</u>
<u>Wastewater Utility</u>	Balance 01-01-21	Increases	Decreases	Balance 12-31-21
Capital assets, not being depreciated:				
Land	\$ 26,626	\$ -	\$ -	\$ 26,626
Construction in progress	245,877	603,097	237,377	611,597
	<u>272,503</u>	<u>603,097</u>	<u>237,377</u>	<u>638,223</u>
Capital assets, being depreciated:				
Buildings	8,017,799	9,944	-	8,027,743
Infrastructure	22,353,319	273,373	-	22,626,692
Improvements other than buildings	260,854	-	-	260,854
Machinery and equipment	3,237,851	191,073	88,261	3,340,663
	<u>33,869,823</u>	<u>474,390</u>	<u>88,261</u>	<u>34,255,952</u>
Less accumulated depreciation for:				
Buildings	(3,676,404)	(197,894)	-	(3,874,298)
Infrastructure	(12,424,055)	(590,955)	-	(13,015,010)
Improvements other than buildings	(93,215)	(11,278)	-	(104,493)
Machinery and equipment	(1,796,728)	(150,347)	(46,373)	(1,900,702)
	<u>(17,990,402)</u>	<u>(950,474)</u>	<u>(46,373)</u>	<u>(18,894,503)</u>
Total capital assets, being depreciated, net	<u>15,879,421</u>	<u>(476,084)</u>	<u>41,888</u>	<u>15,361,449</u>
Total Wastewater Utility capital assets, net	<u>\$ 16,151,924</u>	<u>\$ 127,013</u>	<u>\$ 279,265</u>	<u>\$ 15,999,672</u>

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

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

	2020	2021
Water	\$ 365,470	\$ 369,442
Wastewater	931,313	950,474
Total depreciation expense	\$ 1,296,784	\$ 1,319,916

C. Construction Commitments

Construction work in progress is composed of the following:

Project	2020		2021	
	Expended to December 31,	Committed	Expended to December 31,	Committed
Water Utility:				
SR 127 Water Main Replacement	55,500	55,500	55,500	55,500
Total Water Utility	\$ 55,500	\$ 55,500	\$ 55,500	\$ 55,500
Wastewater Utility:				
Hires/Northcrest Forcemain Discharge Imp.	21,471	21,471	-	-
Biosolids Improvements	122,184	122,184	222,605	222,605
Collection System Improvements	90,322	90,322	149,154	149,154
WWTP Emergency Generator	11,900	11,900	230,189	230,189
WWTP Composite Turner Building	-	-	9,648	9,648
Total Wastewater Utility	\$ 245,877	\$ 245,877	\$ 611,596	\$ 611,596

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, 2020 and 2021, are as follows:

Purpose	Interest Rates	Balance at 12/31/20	Less: Unamortized (Premium) Discount	Amount
Water Utility:				
2012 Waterworks refunding revenue bonds	1.5% to 2.5%	\$ 360,000	\$ -	\$ 360,000
2015 Waterworks revenue bonds	2% to 3.5%	2,075,000	(16,937)	2,091,937
Total Water Utility		\$ 2,435,000	\$ (16,937)	\$ 2,451,937
Wastewater Utility:				
2010 Sewage Works refunding revenue bonds, Series A	2.5% to 4.75%	365,000	(1,330)	366,330
Total Wastewater Utility		\$ 365,000	\$ (1,330)	\$ 366,330

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

Purpose	Interest Rates	Balance at 12/31/21	Less: Unamortized (Premium) Discount	Amount
Water Utility:				
2012 Waterworks refunding revenue bonds	1.5% to 2.5%	\$ 135,000	\$ -	\$ 135,000
2015 Waterworks revenue bonds	2% to 3.5%	<u>1,920,000</u>	<u>(15,808)</u>	<u>1,935,808</u>
Total Water Utility		<u>\$ 2,055,000</u>	<u>\$ (15,808)</u>	<u>\$ 2,070,808</u>
Wastewater Utility:				
2010 Sewage Works refunding revenue bonds, Series A	3.0% to 4.75%	<u>245,000</u>	<u>(886)</u>	<u>245,886</u>
Total Wastewater Utility		<u>\$ 245,000</u>	<u>\$ (886)</u>	<u>\$ 245,886</u>

Revenue bonds debt service requirements to maturity are as follows:

	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2022	\$ 290,000	\$ 54,081	\$ 60,000	\$ 5,819
2023	230,000	46,456	130,000	7,363
2024	235,000	41,713	55,000	1,306
2025	245,000	36,369	-	-
2026	255,000	30,644	-	-
2027-2031	415,000	102,813	-	-
2032-2036	<u>385,000</u>	<u>30,681</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 2,055,000</u>	<u>\$ 342,756</u>	<u>\$ 245,000</u>	<u>\$ 14,488</u>

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 percent to advance refund \$1,670,000 of outstanding 2007 revenue bonds with an average interest rate of 4.31 percent. 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 that has been recognized on the Statement of Net Position as a deferred inflow of resources. This amount will be amortized using the straight-line method and charged to interest expense over the next 20 years. The Utilities in effect reduced its aggregate debt service payments by \$130,024 over the next 20 years and realized an economic gain (difference between the present values of the old and new debt service payments of \$103,209).

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

3. Loans Payable

Under the terms of the State Revolving Loan Fund, revenue bonds have been purchased by the Indiana Bond Bank, of which the proceeds are set aside to finance the construction of improvements to the Wastewater Utility. The 2010 SRF Loan is a zero percent interest loan. Annual debt service requirements to maturity for the loan, including interest of \$0, are as follows:

	<u>Principal</u>
2022	\$ 87,500
2023	175,000
2024	175,000
2025	175,000
2026	175,000
2027-2031	<u>612,500</u>
Total	<u>\$ 1,400,000</u>

4. Changes in Long-Term Liabilities

Long-term liability activity for the years ended December 31, 2020 and 2021 was as follows:

<u>2020</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Water Utility:					
Revenue Bonds Payable	\$ 2,810,000	\$ -	\$ 375,000	\$ 2,435,000	\$ 380,000
Compensated Absences Payable	24,757	23,838	24,757	23,838	19,820
Total water utility long-term liabilities	<u>2,834,757</u>	<u>23,838</u>	<u>399,757</u>	<u>2,458,838</u>	<u>399,820</u>
Wastewater Utility:					
Revenue Bonds Payable	875,000	-	510,000	365,000	65,000
Loans Payable	1,750,000	-	175,000	1,575,000	87,500
Compensated Absences Payable	23,383	27,207	23,383	27,207	22,051
Total wastewater utility long-term liabilities	<u>2,648,383</u>	<u>27,207</u>	<u>708,383</u>	<u>1,967,207</u>	<u>174,551</u>
Total Long-term liabilities	<u>\$ 5,483,140</u>	<u>\$ 51,045</u>	<u>\$ 1,108,140</u>	<u>\$ 4,426,045</u>	<u>\$ 574,371</u>
<u>2021</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Water Utility:					
Revenue Bonds Payable	\$ 2,435,000	\$ -	\$ 380,000	\$ 2,055,000	\$ 290,000
Compensated Absences Payable	23,838	28,997	23,838	28,997	24,747
Total water utility long-term liabilities	<u>2,458,838</u>	<u>28,997</u>	<u>403,838</u>	<u>2,083,997</u>	<u>314,747</u>
Wastewater Utility:					
Revenue Bonds Payable	365,000	-	120,000	245,000	60,000
Loans Payable	1,575,000	-	175,000	1,400,000	87,500
Compensated Absences Payable	27,207	25,622	27,207	25,622	20,668
Total wastewater utility long-term liabilities	<u>1,967,207</u>	<u>25,622</u>	<u>322,207</u>	<u>1,670,622</u>	<u>168,168</u>
Total Long-term liabilities	<u>\$ 4,426,045</u>	<u>\$ 54,619</u>	<u>\$ 726,045</u>	<u>\$ 3,754,619</u>	<u>\$ 482,915</u>

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

E. Restricted Assets

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

	2020 Water Utility	2020 Wastewater Utility
Improvement	\$ 2,294,909	\$ 1,619,261
Bond and interest	496,967	1,118,940
Construction	92,970	-
Customer deposits	64,775	-
Total restricted assets	\$ 2,949,621	\$ 2,738,201
	2021 Water Utility	2021 Wastewater Utility
Improvement	\$ 2,386,143	\$ 1,644,311
Bond and interest	456,112	912,227
Construction	36,976	-
Customer deposits	67,855	-
Total restricted assets	\$ 2,947,086	\$ 2,556,538

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.

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

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 January 18, 2021. As of December 31, 2021, the Utility has 3,236 customers.

2. Wastewater Utility

The current rate structure was approved by the Utility on November 16, 2020. As of December 31, 2021, the Utility has 3,222 customers.

C. Pension Plan

Cost Sharing Multiple-Employer Defined Benefit Pension Plan

Plan Description

The Utilities contributes to the Indiana Public Employees' Retirement Fund (PERF), a cost-sharing multiple-employer defined benefit pension plan. PERF provides retirement, disability, and survivor benefits to plan members and beneficiaries. All full-time employees who are not covered by another plan are eligible to participate. 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 Utilities the authority to contribute to the plan. The Public Employees' Defined Benefit Plan (PERF Hybrid Plan) consists of two components: a monthly, employer-funded defined benefit component and a member-funded defined contribution account (DC Account). The DC 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 is available online at <https://www.inprs.in.gov/> or may be obtained by contacting:

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

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

Benefits Provided

The PERF Hybrid Plan consists of the sum of a defined pension benefit provided by the Utilities' contributions plus the amount credited to the member's DC account. Pension benefits vest after 10 years of creditable service. Members are immediately vested in their defined contribution account. At retirement, a member may choose to receive a lump sum payment of the amount credited to the member's DC account, receive the amount as an annuity, or leave the contributions invested with INPRS.

A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement and is entitled to 100 percent of the pension benefit component. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position.

A member who has reached age 60 and has at least 15 years of creditable service is eligible for normal retirement and is entitled to 100 percent of the pension benefit. A member who is at least 55 years old and whose age plus number of years of creditable service is at least 85 is entitled to 100 percent of the pension benefit.

A member who has reached age 50 and has at least 15 years of creditable service is eligible for early retirement with a reduced pension. A member retiring early receives a percentage of the normal pension benefit, which remains the same for the member's lifetime.

The PERF Hybrid plan also provides disability benefits to members. A member who has at least 5 years of creditable service and becomes disabled while in active service, on FMLA leave, receiving workers' compensation benefits, or receiving employer provided disability insurance benefits may retire for the duration of the disability if they have qualified for social security disability benefits and furnish proof of the qualification. The disability benefit is calculated the same as that for a normal retirement without reduction for early retirement. Also, under certain circumstances, upon the death in service of a member, a survivor benefit may be paid to a surviving spouse or surviving dependent children under the age of 18.

The monthly pension benefits for members in pay status may be increased periodically as cost of living adjustments (COLA), however, such increases are not guaranteed by statute and have historically been provided on an ad hoc basis. These increases can only be granted by the Indiana General Assembly.

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

Contributions

The contribution requirements of plan members and the Utilities are established and may be amended by the INPRS Board of Trustees. The required contributions are based on actuarial investigations and valuation in accordance with IC 5-10.2. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. PERF members are required to contribute three percent of their annual covered salary. For 2020 and 2021, the Utilities was required to contribute at an actuarially determined rate of 11.2 percent of annual covered payroll. The Utilities contributions to the plan for the year ending December 31, 2020 were \$65,121 for the Water Department and \$78,562 for the Wastewater Department, and for December 31, 2021 were \$67,359 for the Water Department and \$79,550 for the Wastewater Department. The Utilities contributions were equal to the required contributions for each year.

Actuarial Assumptions

The actuarial assumptions used in the June 30, 2020 valuation of the Public Employee's Retirement Fund were adopted by the INPRS Board in February 2020. The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	2.75% - 8.75%
Cost-of-living increases	0.4% to 0.6%

Actuarial assumptions include two mortality tables (healthy and disabled), rather than healthy only. Mortality rates (healthy) were based on the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Table, with future mortality improvement projected generationally using future mortality improvement inherent in the Social Security Administration's 2014 Trustee report. Mortality rates (disabled) were based on the RP-2014 (with MP-2014 improvement removed) Disability Mortality Table, with future mortality improvement projected generationally using future mortality improvement inherent in the Social Security Administration's 2014 Trustee report.

The actuarial assumptions used are based on plan experience from July 1, 2014, through June 30, 2019, and were first used in the June 30, 2020 valuation. The actuarial cost method used for computing the total pension liability is the Entry Age Normal – Level Percent of Payroll method. Additionally, a load on final average salary of \$400 to reflect unused sick leave accumulated at termination of employment for active and inactive vested members was added.

The actuarial assumptions and methods used in the June 30, 2020 valuation of the Public Employees' Retirement Fund resulted in the following assumption changes:

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

Inflation Rate	Remained unchanged at 2.25% per year
Future Salary Increases	Remained unchanged at ranges of 2.5% to 8.75%
Retirement, termination, and disability assumptions	Updated based on recent experience
ASA annuitization assumption	60% of members to annuitize their ASA balance prior to January 1, 2020
Mortality Assumption	<p>The mortality table of healthy members assumes the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Table projected on a fully generational basis using the future mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee Report.</p> <p>The mortality table of disabled members assumes the RP-2014 (with MP-2014 improvement removed) Disability Mortality Table, with future mortality improvement projected generationally using future mortality improvement inherent in the Social Security Administration's 2014 Trustee Report.</p>

The actuarial assumptions used in the June 30, 2021 valuation of the Public Employee's Retirement Fund were adopted by the INPRS Board in April 2015. The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.00%
Salary Increases	2.65% - 8.65%
Cost-of-living increases	0.4% to 0.6%

Actuarial assumptions include two mortality tables (healthy and disabled), rather than healthy only. Mortality rates (healthy) were based on the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Table, with future mortality improvement projected generationally using future mortality improvement inherent in the Social Security Administration's 2014 Trustee report. Mortality rates (disabled) were based on the RP-2014 (with MP-2014 improvement removed) Disability Mortality Table, with future mortality improvement projected generationally using future mortality improvement inherent in the Social Security Administration's 2014 Trustee report.

The actuarial assumptions used are based on plan experience from July 1, 2014, through June 30, 2019, and were first used in the June 30, 2020 valuation. The actuarial cost method used for computing the total pension liability is the Entry Age Normal – Level Percent of Payroll method. Additionally, a load on final average salary of \$400 to reflect unused sick leave accumulated at termination of employment for active and inactive vested members was added.

The actuarial assumptions and methods used in the June 30, 2021 valuation of the Public Employees' Retirement Fund resulted in the following assumption changes:

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

Inflation Rate	Remained unchanged at 2.00% per year
Future Salary Increases	Updated to a ranges of 2.65% to 8.75%
Retirement, termination, and disability assumptions	Updated based on recent experience
ASA annuitization assumption	60% of members to annuitize their ASA balance prior to January 1, 2021
Mortality Assumption	Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019 Healthy Employees – General Employee table with a 3 year set forward for males and a 1 year set forward for female Retirees – General Retiree table with a 3 year set forward for males and a 1 year set forward for females. Beneficiaries – Contingent Survivor table with no set forward for males and a 2 year set forward for females Disableds – General Disabled table with a 140% load

The long-term return expectation for the INPRS defined benefit retirement plans has been determined by using a building block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecast rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of geometric real rates of return for each major asset class for 2020 and 2021 are summarized below:

2020	Long Term Target Allocation Percentage	Expected Real Rate of Return Percentage
Public Equity	22.0%	4.4%
Private Equity	14.0%	7.6%
Fixed Income - Ex Inflation Linked	20.0%	1.9%
Fixed Income - Inflation Linked	7.0%	0.5%
Commodities	8.0%	1.6%
Real Estate	7.0%	5.8%
Absolute Return	10.0%	2.9%
Risk Parity	12.0%	5.5%
Total	100.0%	

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

2021	Long Term Target Allocation Percentage	Expected Real Rate of Return Percentage
Public Equity	20.0%	3.6%
Private Equity	15.0%	7.3%
Fixed Income - Ex Inflation Linked	20.0%	1.5%
Fixed Income - Inflation Linked	15.0%	-0.3%
Commodities	10.0%	80.0%
Real Estate	10.0%	4.2%
Absolute Return	5.0%	2.5%
Risk Parity	20.0%	4.4%
Leverage Offset	-15.0%	-1.4%
Total	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers would be, at a minimum, made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board. Projected inflows from investment earnings were calculated using the long term assumed investment rate of 6.75 percent. Based on those assumptions, each defined benefit pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for each plan.

Sensitivity of the Utilities Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following represents the net pension liability of the Utilities calculated using the discount rate of 6.75 percent, as well as what their respective net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75 percent) or 1-percentage point higher (7.75 percent) than the current rate:

2020	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
City of Angola Municipal Utilities Water Department proportionate share of the net pension liability	\$ 513,637	\$ 315,049	\$ 148,715
City of Angola Municipal Utilities Wastewater Department proportionate share of the net pension liability	\$ 619,648	\$ 380,073	\$ 179,409

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

2021	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
City of Angola Municipal Utilities Water Department proportionate share of the net pension liability	\$ 373,721	\$ 142,890	\$ (49,653)
City of Angola Municipal Utilities Wastewater Department proportionate share of the net pension liability	\$ 459,150	\$ 175,554	\$ (61,003)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of December 31, 2020 and 2021, the Water Utility reported a liability of \$315,049 and \$142,890 and the Wastewater Utility reported a liability of \$380,073 and \$175,554 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utilities' proportion of the net pension liability was based on wages reported by employers relative to the collective wages of the plan. At June 30, 2020 and 2021, the Utilities proportion was .0005168 percent and .0005267 percent, which was a decrease of .0000222 from its proportion measured as of June 30, 2019, and an increase of .0000099 from its proportion measured as of June 30, 2020.

For the year ended June 30, 2020 and 2021, the Utilities recognized pension expense of \$25,372 and \$25,434 for the Water Department, and \$30,609 and \$31,248 for the Wastewater Department. At June 30, 2020 and 2021, the Utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

2020	Water Department	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,582	\$ 4,230
Net difference between projected and actual investment earnings on pension plan investments	26,965	-
Change of assumptions	-	65,647
Changes in proportion and differences between employer contributions and proportionate share of contributions	577	47,307
Employer contributions subsequent to the measurement date	34,060	-
	<u>\$ 67,184</u>	<u>\$ 117,184</u>

2020	Wastewater Department	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,734	\$ 5,103
Net difference between projected and actual investment earnings on pension plan investments	32,530	-
Change of assumptions	-	79,196
Changes in proportion and differences between employer contributions and proportionate share of contributions	696	57,070
Employer contributions subsequent to the measurement date	41,089	-
	<u>\$ 81,050</u>	<u>\$ 141,370</u>

2021	Water Department	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,887	\$ 2,853
Net difference between projected and actual investment earnings on pension plan investments	-	185,513
Change of assumptions	71,868	32,093
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,887	25,308
Employer contributions subsequent to the measurement date	35,133	-
	<u>\$ 116,776</u>	<u>\$ 245,767</u>

2021	Wastewater Department	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,004	\$ 3,505
Net difference between projected and actual investment earnings on pension plan investments	-	227,920
Change of assumptions	88,296	39,429
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,005	31,093
Employer contributions subsequent to the measurement date	43,164	-
	<u>\$ 143,469</u>	<u>\$ 301,946</u>

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

At December 31, 2020 and 2021, the Water Department reported \$34,060 and \$35,133, and the Wastewater Department reported \$41,089 and \$43,164 as deferred outflows of resources related to pensions resulting from the Utilities contributions subsequent to the measurement date that will be recognized as a reduction of their respective net pension liability for the years ended December 31, 2020 and 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2020	Water Year Ended June 30:	Wastewater Year Ended June 30:
2021	\$ (54,601.00)	\$ (65,871)
2022	\$ (32,221.00)	\$ (38,871)
2023	\$ (8,689.00)	\$ (10,482)
2024	\$ (11,453.00)	\$ (13,817)
2021	Water Year Ended June 30:	Wastewater Year Ended June 30:
2022	\$ (58,268)	\$ (71,588)
2023	\$ (34,096)	\$ (41,890)
2024	\$ (18,221)	\$ (22,386)
2025	\$ (53,033)	\$ (65,156)

Pension Plan Fiduciary Net Position

The pension plan's fiduciary net position has been determined on the same basis of accounting used by the pension plan. Detailed information about the pension plan's fiduciary net position is available in the separately issued INPRS financial report, which is available online at <https://www.inprs.in.gov> or may be obtained by contacting:

Indiana Public Retirement System
 One North Capitol Avenue, Suite 001 Indianapolis, IN 46204
 Ph. (888) 526-1687

Benefit Payment Policies

Pension, disability, special death benefits, and distributions of contributions and interest are recognized when due and payable to members or beneficiaries. Benefits are paid once the retirement or survivor applications have been processed and approved. Distributions of contributions and interest are distributions from inactive, non-vested members' DC accounts. These distributions may be requested by members or automatically distributed by the fund when certain criteria are met.

Valuation of Pension Plan Investments

The pooled and non-pooled investments are reported at fair value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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

Short-term investments consist primarily of cash, money market funds, certificates of deposits and fixed income instruments with maturities of less than one year. Short-term investments are reported at cost, which approximates fair value or, for fixed income instruments, valued using similar methodologies as other fixed income securities described below.

Fixed income securities consist primarily of the U.S. government, U.S. government-sponsored agencies, publicly traded debt and commingled investment debt instruments. Equity securities consist primarily of domestic and international stocks in addition to commingled equity instruments. Fixed income and equity securities are generally valued based on published market prices and quotations from national security exchanges and securities pricing services. Securities that are not traded on a national security exchange are valued using modeling techniques that include market observable inputs required to develop a fair value. Commingled funds are valued using the net asset value (NAV) of the entity.

Alternative investments include limited partnership interests in private equity, absolute return, private real estate, and risk parity investment strategies. Publicly traded alternative investments are valued based on quoted market prices. In the absence of readily determinable public market values, alternative investments are valued using current estimates of fair value obtained from the general partner or investment manager. Moreover, holdings are generally valued by a general partner or investment manager on a quarterly or semi-annual basis. Valuation assumptions are based upon the nature of the investment and the underlying business. Additionally, valuation techniques will vary by investment type and involve a certain degree of expert judgment. Alternative investments, such as investments in private equity or real estate, are generally considered to be illiquid long-term investments. Due to the inherent uncertainty that exists in the valuation of alternative investments, the realized value upon the sale of an asset may differ from the fair value.

Derivative instruments are marked to market daily with changes in fair value recognized as part of investments and investment income.

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/>.