
Fort Wayne City Utilities

A Regional Utility

Owned by

City of Fort Wayne, Indiana

Mayor Thomas C. Henry



CITY UTILITIES

WATER THAT WORKS

Financial Statements

December 31, 2021

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Facts & Figures

Three Rivers Filtration Plant

Built **1931-1933**

Expanded in **1954** and **1981**



Capacity **72** MGD

2021 Average Demand

35.6 MGD

94,092

the number of retail sewer customers in 2021

3,689 gallons

2021 average monthly residential water consumption

City Utilities

Grease Cooperative

launched to aid restaurants in compliance with fat, oil and grease



GREASE CO-OP

5 scholarships

awarded to 2021 City Utilities interns

24,519 feet



MamaJo's journey that ended on June 30, 2021

Stormwater Utility

Established **1993**



350

employees



Miles of pipe

1,435
water

1,455
sewer



706
stormwater

Recipient of the **2021 Indiana Governor's Award for Environmental Excellence - Greening the Government**



Commercial customers accounted for

40.4%

of water consumption in 2021

Paul L. Brunner Water Pollution Control Plant

Built **1938-1940**

Expanded in **1960** and **1975**



Capacity **100** MGD

2021 Average Demand

48.6 MGD

Recipient of the **2021 Utility of the Future Today** award for **Energy Generation and Recovery**





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Independent Auditor's Report

The Officials of Fort Wayne City Utilities
Fort Wayne City Utilities
Fort Wayne, Indiana

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of each major fund of Fort Wayne City Utilities (Utilities), a division of the City of Fort Wayne, Indiana (City), as of and for the year ended December 31, 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 financial position of each major fund of the Utilities as of December 31, 2021, and the changes in financial position and its cash flows for the year 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Fort Wayne City 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 1, 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 business-type activities of each fund 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, 2021, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Fort Wayne City Utilities' ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Proportionate Share of Net Position Liability, Schedule of Contributions – Pension Plan, and Schedule of Changes in Total OPEB Liability, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the facts & figures other information, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2022 on our consideration of Fort Wayne City Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fort Wayne City Utilities' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fort Wayne City Utilities' internal control over financial reporting and compliance.

FORVIS, LLP

Fort Wayne, Indiana
June 22, 2022

FORT WAYNE CITY UTILITIES
Management's Discussion and Analysis (unaudited)
For the Year Ended December 31, 2021

Introduction

As management of the Fort Wayne City Utilities (FWCU), we offer readers of the FWCU financial statements, this narrative overview and analysis of the financial activities of FWCU for the fiscal year ending December 31, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the basic financial statements and the notes to the basic financial statements.

Financial Highlights

- The assets and deferred outflows of resources of FWCU exceeded its liabilities and deferred inflows of resources (net position) as of end of the 2021 and 2020 fiscal years (hereinafter "2021" and "2020") by \$780.1 million and \$716.9 million, respectively.
- The FWCU net position increased in 2021 and 2020 by \$63.2 million and \$44.5 million, respectively.
- FWCU added new bonded debt, long-term loans payable and capital lease payable during 2021 and 2020 of \$218.84 million and \$143.8 million, respectively. The 2021 increase in debt is mainly due to issuance of new long-term loans and additional draws against existing State Revolving Fund (SRF) loans. Additionally, FWCU entered into a new capital lease covering all Utilities. The 2020 increase in debt consists of new bonds and additional draws against SRF loans.

In 2021, the Water and Wastewater Utilities each issued a new advance SRF loan at 1.97 percent interest and 2.22 percent interest, respectively.

In 2020, the Wastewater Utility issued new Sewage Works Revenue and Revenue Refunding Bonds at fixed interest rates ranging from two percent to four percent and two new Wastewater Utility SRF loans, both at two percent interest.

- The 2021 and 2020 net investment in capital assets increased by approximately \$37.4 million and \$25.2 million. Significantly, FWCU continues to meet all milestones required by its 2008 Federal Consent Decree.

FORT WAYNE CITY UTILITIES
Management's Discussion and Analysis (unaudited)
For the Year Ended December 31, 2021
(Continued)

Overview of the Financial Statements

This discussion and analysis is an introduction to the FWCU basic financial statements. The FWCU funds are governmental entities classified as enterprise funds, subsets of proprietary funds. When an entity charges a fee to cover the entire cost of its operation, these services are classified as a proprietary fund. And more specifically, when an entity is self-supported completely by providing services to outside customers, it is an enterprise fund. An enterprise fund's financial statements are comprised of three statements and the accompanying notes to these statements. The three statements are: 1) statement of net position, 2) statement of revenues, expenses and changes in net position, and 3) statement of cash flows. The notes provide additional information that is essential to a full understanding of the data provided in the FWCU financial statements. These notes can be found beginning on page [17](#) of this report.

FWCU provides water, wastewater, stormwater, and yard waste services. The FWCU financial statements have been prepared to reflect the activity of each of these services. The Electric Utility's generation and distribution systems (operating system) were leased to a private firm in 1975 and the entire operating system was purchased by that private firm in 2011. Since 1975, portions of the lease payments were accumulated in a Community Trust Fund and that Trust Fund, coupled with the assets generated from the sale of the Electric Utility's operating assets, were transferred to the City Community Legacy Fund in 2012.

Fort Wayne City Utilities
Condensed Statement of Net Position
(amounts expressed in millions)

	Year Ended		Variance	
	December 31,		2021 – 2020	
	2021	2020	Amount	Percent
Net capital assets	\$ 1,325.3	\$ 1,256.1	\$ 69.2	5.5 %
Other assets	419.8	248.0	171.8	69.3 %
Total assets	<u>\$ 1,745.1</u>	<u>\$ 1,504.1</u>	<u>\$ 241.0</u>	<u>16.0 %</u>
Deferred Outflows of Resources	<u>\$ 8.8</u>	<u>\$ 7.9</u>	<u>\$ 0.9</u>	<u>11.4 %</u>
Current liabilities	86.7	78.0	8.7	11.2 %
Long term liabilities	875.5	710.7	164.8	23.2 %
Total liabilities	<u>\$ 962.2</u>	<u>\$ 788.7</u>	<u>\$ 173.5</u>	<u>22.0 %</u>
Deferred Inflows of Resources	<u>\$ 11.6</u>	<u>\$ 6.4</u>	<u>\$ 5.2</u>	<u>81.3 %</u>
Total net position	<u>\$ 780.1</u>	<u>\$ 716.9</u>	<u>\$ 63.2</u>	<u>8.8 %</u>
Net investment in capital assets	639.8	602.4	37.4	6.2 %
Restricted	79.4	76.8	2.6	3.4 %
Unrestricted	60.9	37.7	23.2	61.5 %
Total net position	<u>\$ 780.1</u>	<u>\$ 716.9</u>	<u>\$ 63.2</u>	<u>8.8 %</u>

FORT WAYNE CITY UTILITIES
Management's Discussion and Analysis (unaudited)
For the Year Ended December 31, 2021
(Continued)

Fort Wayne City Utilities
Condensed Statement of Revenues, Expenses and Changes in Net Position
(amounts expressed in millions)

	Year Ended		Variance	
	December 31,		2021 – 2020	
	2021	2020	Amount	Percent
Operating revenues:				
Water service revenues	\$ 58.9	\$ 53.3	\$ 5.6	10.5 %
Wastewater services revenues	96.1	88.6	7.5	8.5 %
Stormwater service revenues	15.0	14.8	0.2	1.4 %
Electric revenues	—	—	—	— %
Yard Waste revenues	0.5	0.6	(0.1)	(16.7)%
Total operating revenues	<u>170.5</u>	<u>157.3</u>	<u>13.2</u>	<u>8.4 %</u>
Operating expenses:				
Water operations	36.7	38.1	(1.4)	(3.7)%
Wastewater operations	45.0	49.2	(4.2)	(8.5)%
Stormwater operations	7.4	7.3	0.1	1.4 %
Electric operations	—	—	—	— %
Yard Waste operations	0.2	0.1	0.1	100.0 %
Total operating expenses	<u>89.3</u>	<u>94.7</u>	<u>(5.4)</u>	<u>(5.7)%</u>
Operating Income	81.2	62.6	18.6	29.7 %
Net nonoperating revenues (expenses)	<u>(20.7)</u>	<u>(20.7)</u>	<u>—</u>	<u>— %</u>
Income before capital contributions and transfers out	60.5	41.9	18.6	44.4 %
Capital contributions	11.8	11.4	0.4	3.5 %
Net transfers out	<u>(9.1)</u>	<u>(8.8)</u>	<u>(0.3)</u>	<u>3.4 %</u>
Change in net position	63.2	44.5	18.7	42.0 %
Net position - beginning of year	<u>716.9</u>	<u>672.4</u>	<u>44.5</u>	<u>6.6 %</u>
Net position - end of year	<u>\$ 780.1</u>	<u>\$ 716.9</u>	<u>\$ 63.2</u>	<u>8.8 %</u>

Financial Analysis

Net position may serve over time as a useful indicator of a governmental unit's financial health. The net position of FWCU was \$780.1 million and \$716.9 million as of 2021 and 2020 year-ends, respectively. The largest portion (82.0 percent) of the FWCU net position in 2021 reflects its net investment in capital assets (land, buildings, machinery, equipment and distribution and collection infrastructure, less any related outstanding debt used to acquire those assets).

Another significant portion of the FWCU net position (\$79.4 million, or 10.2 percent) represents resources that are subject to external restrictions on how they may be used.

FORT WAYNE CITY UTILITIES
Management's Discussion and Analysis (unaudited)
For the Year Ended December 31, 2021
(Continued)

Operating revenues increased \$13.2 million (8.4 percent) across utilities mainly due to approved scheduled rate increases. In turn, operating expenses decreased \$5.4 million (5.7 percent) primarily due to normalization of the depreciation expense (as a result of a significant number of capital projects being closed in prior year), as well as due to a reduction in pension-related expenses.

Capital Assets and Capital Improvement Program

The FWCU capital assets in service total \$1,841.3 million with an accumulated depreciation of \$516.0 million for a net book value of \$1,325.3 million. The statement of net position also includes \$344.3 million in construction in progress reflecting capital projects in various stages of completion. During 2021, approximately \$100.9 million was invested in capital projects (see Note 5).

Debt

As more fully detailed in Note 9, at December 31, 2021, FWCU had approximately \$899.1 million in bonds, loans and leases payable, a net increase of \$174.0 million over last year.

The 2021 net increase of \$174.0 million in debt is mainly due to issuance of new debt in the form of the following:

- \$216.4 million in new State Revolving Fund loans and draws against existing loans
- \$2.4 million in new capital lease.

FWCU paid principal of \$44.1 million and \$39.1 million in 2021 and 2020, respectively.

Economic Factors and Next Year's Budget and Rates

FWCU operates a water, wastewater, and a stormwater utility serving the greater Fort Wayne area. Using its strategic plan as a guide its mission is to support public safety, public health, and enhance regional economic development by delivering high-quality and affordable water, wastewater, and stormwater services in ways that protect the environment. FWCU is successfully achieving its vision of a becoming nationally recognized as a regional utility of excellence, as evidenced by several national awards, through its six strategic initiatives: human capital development; community and employee engagement; customer service; technology; affordability and cost management; and, environmental stewardship and conservation.

On December 28, 2007, FWCU agreed to a Long-Term Control Plan (LTCP) to reduce Combined Sewer Overflows (CSOs), as part of a federal Consent Decree, which will ultimately bring the FWCU combined storm and sanitary sewer system into compliance with the federal Clean Water Act. The Consent Decree became effective April 1, 2008. Through the LTCP, FWCU committed to CSO reductions that require an investment of approximately \$240.0 million (denominated in 2005 dollars) in infrastructure solutions over the 18-year period from 2008 through 2025. This

FORT WAYNE CITY UTILITIES
Management's Discussion and Analysis (unaudited)
For the Year Ended December 31, 2021
(Continued)

investment is currently projected to have a total cost of approximately \$340 million, while, through value engineering, projected improvement costs to the separate sanitary sewer system have been reduced by approximately \$100 million. The Consent Decree also required FWCU to eliminate three sanitary sewer overflows, which was accomplished at a cost of \$13.5 million; maintain the entire storm and sewer systems to prescribed performance standards; and, mitigate assessed penalties with local investments in septic tank elimination subsidies and rain garden stipends.

Each of Fort Wayne's three rivers have their own control limits and compliance deadlines for reductions in CSOs per the Consent Decree. The improvements for reducing the CSOs along the St. Joseph River were completed in 2015 and the St. Joseph is now considered to be in compliance with the Consent Decree. Moreover, it has not experienced an overflow event in nearly four years. The Consent Decree further provides for stipulated penalties for failure to achieve specified construction milestones, reporting deadlines or maintenance objectives. FWCU is in full compliance with terms and conditions of the Consent Decree, meeting or exceeding all required deadlines, milestones, and objectives. Significantly, FWCU has completed to date: the upgrade to the wastewater plant to increase its treatment capacity from 60 million gallons per day (mgd) to 100 mgd and completed 33 combined sewer separation projects. FWCU also constructed a wet weather pond bleed-back process that fully treats over one billion gallons of wastewater each year that previously entered the Maumee River only partially treated. Untreated wastewater storage capacity was increased by nearly 100 million gallons through several pond enhancement projects and the pump station used to fill those ponds has had its capacity increased to maximize the available storage.

The single largest project associated with satisfying the requirements of the Consent Decree is a large underground tunnel that starts near Rudisill Boulevard, traversing north along the St. Marys River, past the confluence of the three rivers, and then following the Maumee River to the wastewater treatment plant. The tunnel will be approximately five miles long, 16 feet in diameter, and drilled through rock over 200 feet below ground. Tunnel boring progress is approximately 90 percent complete. The cost for the tunnel is estimated at \$220 million, with the estimated completion date scheduled for 2023. Upon completion, additional sewers will be extended off the tunnel drop shafts to connect the existing combined sewer outfalls to the tunnel. All work must be completed by no later than 2025.

The Wastewater Utility Capital Improvement Plan also supports the rehabilitation of existing pipes through cured-in-place lining. Lining wastewater pipelines significantly extends the life of the pipeline, improves overall system flow, and reduces reactive maintenance. Since 2008, FWCU has invested \$52 million to line approximately 190 miles of pipe. The annual pipe enhancement rate since 2008 is 1.1 percent which exceeds our annual goal of one percent per year.

Consistent with the long-term nature of the Consent Decree, the Common Council approved a third five-year rate plan that adjusted wastewater unit rates by approximately five percent effective April 1, 2020, and again by approximately five-percent on January 1 of each of the four subsequent calendar years. FWCU's five-year sewer rate plan is facilitating \$380 million in capital investments, providing predictability to customers and bondholders; providing for growth and

FORT WAYNE CITY UTILITIES
Management's Discussion and Analysis (unaudited)
For the Year Ended December 31, 2021
(Continued)

economic development; and, includes the capital necessary to complete FWCU's consent decree obligations.

In mid-2017, FWCU adopted a three-year stormwater rate plan, the final phase of which took effect on July 1, 2019. This rate plan continues to fund capital improvement projects to improve drainage, increase capacity and reliability, reduce standing water, reduce impacts to properties, and improve stormwater quality throughout the stormwater service area, while fulfilling the operational requirements of the stormwater permit. Work regularly includes the installation of new infrastructure to address a lack of existing or currently underperforming infrastructure, repairing or replacing existing infrastructure, performing inflow and infiltration improvements, installing green infrastructure, dredging and bank improvements, installation of flood control walls or levees, and cost-effective and voluntary property buyouts.

On June 26, 2018, Common Council approved updates to potable water rates that will be introduced in five annual phases. The rate plan was approved by the Indiana Utility Regulatory Commission and became effective on June 1, 2019.

Consistent with this rate plan, FWCU has commenced with the implementation of Advanced Metering Infrastructure (AMI) to provide remote collection of water meter reads from its approximately 100,000 water user accounts, replacement of approximately 70,000 water meters, replacement of water mains that are beyond their useful life, replacement of lead water services, and other projects designed to protect public health and safety through strategic operation and maintenance of the water system

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the FWCU finances and to show accountability for the money they receive. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Deputy Director/CFO - FWCU, Fort Wayne City Utilities, 200 E Berry Street, Suite 270, Fort Wayne, IN 46802.

FORT WAYNE CITY UTILITIES
Statement of Net Position
At December 31, 2021

	Water	Wastewater	Stormwater	Electric	Yard Waste	Total
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	\$ 16,619,403	\$ 35,865,780	\$ 17,067,577	\$ —	\$ 1,222,966	\$ 70,775,726
Receivables:						
Customers, net of allowance for doubtful accounts of \$36,046	6,947,774	13,002,331	1,783,683	—	34,845	21,768,633
Interest	537	—	—	—	—	537
Due from City of Fort Wayne	146,113	209,370	358,130	—	870	714,483
Due from Summit Development Corporation	79,488	132,691	21,736	—	563	234,478
Materials and supplies	1,625,349	69,630	—	—	—	1,694,979
Prepaid expenses	88,193	119,843	1,503	—	1	209,540
Total current assets	<u>25,506,857</u>	<u>49,399,645</u>	<u>19,232,629</u>	<u>—</u>	<u>1,259,245</u>	<u>95,398,376</u>
NONCURRENT ASSETS:						
Restricted cash and cash equivalents	75,216,600	240,634,197	4,072,493	—	92	319,923,382
Regulatory assets	1,806,082	1,758,853	256,880	—	—	3,821,815
Installments receivable	159,648	—	—	—	—	159,648
Assessments receivable	—	460,823	—	—	—	460,823
Capital assets:						
Land	6,332,903	4,308,942	6,434,055	75,732	—	17,151,632
Distribution and collection	257,736,207	411,188,407	191,276,814	—	—	860,201,428
Buildings and improvements	90,428,537	219,745,683	3,589,334	1,121,198	68,777	314,953,529
Equipment and other	139,441,267	158,656,266	6,334,582	342,787	8,869	304,783,771
Less: Accumulated depreciation	(198,119,177)	(261,680,899)	(54,714,032)	(1,459,410)	(74,783)	(516,048,301)
Plus: Construction in progress	27,663,413	305,160,550	11,466,639	—	4,908	344,295,510
Net capital assets	<u>323,483,150</u>	<u>837,378,949</u>	<u>164,387,392</u>	<u>80,307</u>	<u>7,771</u>	<u>1,325,337,569</u>
Total noncurrent assets	<u>400,665,480</u>	<u>1,080,232,822</u>	<u>168,716,765</u>	<u>80,307</u>	<u>7,863</u>	<u>1,649,703,237</u>
Total assets	<u>\$ 426,172,337</u>	<u>\$ 1,129,632,467</u>	<u>\$ 187,949,394</u>	<u>\$ 80,307</u>	<u>\$ 1,267,108</u>	<u>\$ 1,745,101,613</u>
DEFERRED OUTFLOWS OF RESOURCES (Note 6):	<u>\$ 2,834,098</u>	<u>\$ 4,920,427</u>	<u>\$ 1,036,737</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8,791,262</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 897,477	\$ 1,287,002	\$ 79,430	\$ —	\$ 2,001	\$ 2,265,910
Contracts payable	2,066,524	13,915,181	1,558,514	—	9,506	17,549,725
Retainage payable	454,141	751,462	98,150	—	—	1,303,753
Wages and withholdings payable	609,196	620,608	122,012	—	1,025	1,352,841
Due to City of Fort Wayne	2,498,505	3,510,652	769,119	—	3,623	6,781,899
Compensated absences payable - current portion	742,923	766,225	139,444	—	1,436	1,650,028
Other current liabilities	320,270	335,994	4,891	—	—	661,155
Accrued interest payable	433,563	6,354,138	225,917	—	—	7,013,618
Bonds payable - current portion	6,250,000	18,270,000	1,570,000	—	—	26,090,000
Loans payable - current portion	2,559,000	15,157,957	—	—	—	17,716,957
Capital lease payable - current portion	414,094	789,869	301,162	—	48	1,505,173
Total OPEB liability - current portion	309,937	517,384	86,947	—	—	914,268
Customer deposits	1,931,652	—	—	—	—	1,931,652
Total current liabilities	<u>19,487,282</u>	<u>62,276,472</u>	<u>4,955,586</u>	<u>—</u>	<u>17,639</u>	<u>86,736,979</u>

NONCURRENT LIABILITIES:

Bonds payable, net of unamortized bond discount/ premium	92,647,481	137,887,683	19,475,898	—	—	250,011,062
Loans payable	85,600,734	512,225,714	—	—	—	597,826,448
Capital lease payable	1,718,432	3,087,774	1,164,232	—	192	5,970,630
Compensated absences payable	209,278	216,326	11,509	—	298	437,411
Net pension liability	1,776,054	2,016,226	1,660,856	—	—	5,453,136
Total OPEB liability	5,177,733	7,698,054	2,887,673	—	—	15,763,460
Total noncurrent liabilities	<u>187,129,712</u>	<u>663,131,777</u>	<u>25,200,168</u>	<u>—</u>	<u>490</u>	<u>875,462,147</u>
Total liabilities	<u>\$ 206,616,994</u>	<u>\$ 725,408,249</u>	<u>\$ 30,155,754</u>	<u>\$ —</u>	<u>\$ 18,129</u>	<u>\$ 962,199,126</u>

DEFERRED INFLOWS OF RESOURCES (Note 7):

	<u>\$ 3,936,580</u>	<u>\$ 6,261,583</u>	<u>\$ 1,420,363</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 11,618,526</u>
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NET POSITION:

Net investment in capital assets	\$ 188,699,183	\$ 309,660,291	\$ 141,307,943	\$ 80,307	\$ 7,500	\$ 639,755,224
Restricted						
For debt service	14,204,882	58,959,643	2,850,550	—	—	76,015,075
For capital projects	1,927,969	1,454,693	—	—	—	3,382,662
Unrestricted	13,620,827	32,808,435	13,251,521	—	1,241,479	60,922,262
Total net position	<u>\$ 218,452,861</u>	<u>\$ 402,883,062</u>	<u>\$ 157,410,014</u>	<u>\$ 80,307</u>	<u>\$ 1,248,979</u>	<u>\$ 780,075,223</u>

See accompanying notes to the financial statements.

FORT WAYNE CITY UTILITIES
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2021

	Water	Wastewater	Stormwater	Electric	Yard Waste	Total
OPERATING REVENUES:						
Charges for goods and services	\$ 58,884,648	\$ 96,121,242	\$ 14,856,121	\$ —	\$ 499,555	\$ 170,361,566
OPERATING EXPENSES:						
Personnel services	10,128,557	7,860,429	1,726,174	—	—	19,715,160
Contractual services	1,867,742	3,729,714	337,413	—	105,394	6,040,263
Utilities	1,845,191	1,958,996	53,660	—	6,120	3,863,967
Chemicals	3,899,143	877,130	2,843	—	—	4,779,116
Administrative services	5,506,505	9,192,127	1,510,325	—	38,984	16,247,941
Other supplies/services	3,594,368	4,037,030	386,587	—	—	8,017,985
Depreciation	9,851,471	17,332,534	3,417,946	9,006	800	30,611,757
Total operating expenses	<u>36,692,977</u>	<u>44,987,960</u>	<u>7,434,948</u>	<u>9,006</u>	<u>151,298</u>	<u>89,276,189</u>
Operating income (loss)	<u>22,191,671</u>	<u>51,133,282</u>	<u>7,421,173</u>	<u>(9,006)</u>	<u>348,257</u>	<u>81,085,377</u>
NONOPERATING REVENUES (EXPENSES):						
Investment income	269,637	653,587	117,631	—	—	1,040,855
Interest expense	(4,613,204)	(15,047,855)	(558,358)	—	—	(20,219,417)
Amortization of regulatory assets	(255,893)	(273,286)	(40,265)	—	—	(569,444)
Loss on disposal of assets	(605,460)	(283,158)	(23,387)	—	—	(912,005)
Total nonoperating revenues (expenses)	<u>(5,204,920)</u>	<u>(14,950,712)</u>	<u>(504,379)</u>	<u>—</u>	<u>—</u>	<u>(20,660,011)</u>
Income (loss) before capital contributions and transfers	16,986,751	36,182,570	6,916,794	(9,006)	348,257	60,425,366
Capital contributions	3,974,141	2,719,638	5,060,146	—	—	11,753,925
Transfers in	346,200	11,614	3,452,709	—	—	3,810,523
Transfers out	(3,391,402)	(8,604,801)	(784,212)	—	—	(12,780,415)
Change in net position	<u>17,915,690</u>	<u>30,309,021</u>	<u>14,645,437</u>	<u>(9,006)</u>	<u>348,257</u>	<u>63,209,399</u>
Total net position-beginning of year	<u>200,537,171</u>	<u>372,574,041</u>	<u>142,764,577</u>	<u>89,313</u>	<u>900,722</u>	<u>716,865,824</u>
Total net position-end of year	<u>\$ 218,452,861</u>	<u>\$ 402,883,062</u>	<u>\$ 157,410,014</u>	<u>\$ 80,307</u>	<u>\$ 1,248,979</u>	<u>\$ 780,075,223</u>

See accompanying notes to the financial statements.

FORT WAYNE CITY UTILITIES
Statement of Cash Flows
For the Year Ended December 31, 2021

	Water	Wastewater	Stormwater	Electric	Yard Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers and others	\$ 57,807,550	\$ 93,393,986	\$ 14,800,841	\$ —	\$ 528,048	\$ 166,530,425
Payments to suppliers	(17,194,807)	(19,248,153)	(2,023,853)	—	(157,194)	(38,624,007)
Payments to employees	(11,098,069)	(9,491,753)	(2,012,002)	—	—	(22,601,824)
Net cash provided by operating activities	<u>29,514,674</u>	<u>64,654,080</u>	<u>10,764,986</u>	<u>—</u>	<u>370,854</u>	<u>105,304,594</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers out	<u>(3,379,788)</u>	<u>(4,805,892)</u>	<u>(784,212)</u>	<u>—</u>	<u>—</u>	<u>(8,969,892)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(18,423,931)	(62,122,891)	(7,266,837)	—	(3,459)	(87,817,118)
Proceeds from long-term debt	47,839,605	170,645,812	357,160	—	109	218,842,686
Interest paid on long-term debt	(4,701,428)	(14,565,171)	(597,102)	—	—	(19,863,701)
Regulatory assets	(75,934)	(77,230)	—	—	—	(153,164)
Principal paid on long-term debt	(8,900,537)	(33,351,795)	(1,890,819)	—	(42)	(44,143,193)
Proceeds from sales of assets	53,024	53,808	1,961	—	17	108,810
Contribution in aid of construction	<u>1,362,150</u>	<u>616,655</u>	<u>1,679,529</u>	<u>—</u>	<u>—</u>	<u>3,658,334</u>
Net cash provided (used) by capital and related financing activities	<u>17,152,949</u>	<u>61,199,188</u>	<u>(7,716,108)</u>	<u>—</u>	<u>(3,375)</u>	<u>70,632,654</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Investment income received	<u>269,100</u>	<u>653,587</u>	<u>117,631</u>	<u>—</u>	<u>—</u>	<u>1,040,318</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	43,556,935	121,700,963	2,382,297	—	367,479	168,007,674
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>48,279,068</u>	<u>154,799,014</u>	<u>18,757,773</u>	<u>—</u>	<u>855,579</u>	<u>222,691,434</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 91,836,003</u>	<u>\$ 276,499,977</u>	<u>\$ 21,140,070</u>	<u>\$ —</u>	<u>\$ 1,223,058</u>	<u>\$ 390,699,108</u>

(Continued)

FORT WAYNE CITY UTILITIES
Statement of Cash Flows
For the Year Ended December 31, 2021
(Continued)

	Water	Wastewater	Stormwater	Electric	Yard Waste	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ 22,191,671	\$ 51,133,282	\$ 7,421,173	\$ (9,006)	\$ 348,257	\$ 81,085,377
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	9,851,471	17,332,534	3,417,946	9,006	800	30,611,757
Provision for doubtful accounts	6,413	10,188	1,038	—	—	17,639
Changes in assets, liabilities and deferred outflows and inflows of resources:						
Receivables	(1,083,511)	(2,737,444)	(56,318)	—	28,493	(3,848,780)
Other assets	(358,848)	(8,687)	25	—	—	(367,510)
Accounts payable	(123,010)	555,531	266,950	—	(6,696)	692,775
Other liabilities	69,791	135,564	14,287	—	—	219,642
Deferred outflows - Pension	(644,831)	(1,108,388)	(189,453)	—	—	(1,942,672)
Deferred outflows - OPEB	195,164	325,791	54,750	—	—	575,705
Net pension liability	(2,268,850)	(3,787,441)	(636,484)	—	—	(6,692,775)
Total OPEB liability	(73,047)	(121,938)	(20,493)	—	—	(215,478)
Deferred inflows - Pension	1,912,161	3,192,012	536,421	—	—	5,640,594
Deferred inflows - OPEB	(159,900)	(266,924)	(44,856)	—	—	(471,680)
Net cash provided by operating activities	<u>\$ 29,514,674</u>	<u>\$ 64,654,080</u>	<u>\$ 10,764,986</u>	<u>\$ —</u>	<u>\$ 370,854</u>	<u>\$ 105,304,594</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Capital assets acquired through accounts payable	\$ 2,312,759	\$ 14,165,383	\$ 1,564,183	\$ —	\$ 122	\$ 18,042,447
Capital asset contribution	2,611,991	2,102,983	3,380,617	—	—	8,095,591
Interfund capital asset transfers	334,586	(3,787,295)	3,452,709	—	—	—
Amortization of bond premium	132,946	571,300	36,621	—	—	740,867
Amortization of deferred outflows of resources - Debt refunding loss	—	542,386	11,377	—	—	553,763

See accompanying notes to the financial statements.

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2021

Note 1. Nature of Operations and Significant Accounting Policies

Financial Reporting Entity:

Fort Wayne City Utilities (FWCU) is a division of the City of Fort Wayne, Indiana. The financial statements reflect only the activity of FWCU and are not intended to present fairly the position of the City of Fort Wayne and the results of its operations and cash flows of its enterprise funds. FWCU consists of Water, Wastewater, Stormwater, and Electric Utilities in addition to the Yard Waste Facility. All five areas are considered proprietary in nature. The Electric Utility generation and distribution systems were sold to a private firm in 2011.

Basis of Accounting and Financial Reporting:

FWCU prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America as applied to governmental units.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported changes in amounts of revenues, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

Cash Equivalents:

For purposes of the statement of cash flows, FWCU considers all highly liquid investments (including restricted assets) with maturity of three months or less when purchased, to be cash equivalents.

Investments:

Investments are stated at fair value, except for nonparticipating interest-earning investment contracts or highly liquid investments (i.e. Certificates of Deposit, money market investments, etc.), which are reported at cost or amortized cost.

Accounts Receivable, Net:

Accounts receivable include balances due from customers for services or utilities provided, net of an allowance for uncollectible amounts. Customer deposits may be required when credit is extended to customers. Accounts receivable are ordinarily due 20 days after the billing date.

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2021
(Continued)

Payments are considered delinquent if not received on or before the due date, and a 10% late charge is assessed.

The allowance for uncollectible accounts receivable is estimated by management, taking into consideration the age of outstanding receivables, specific facts and circumstances pertaining to certain customers, customer payment histories and other historical collection statistics. Individual accounts receivable balances are written off for inactive customers at the point when all internal collection attempts have been exhausted. All balances previously written off must be repaid in order for a customer to restore service.

Net Position:

The components of net position are categorized as follows:

Net investment in capital assets – This category is comprised of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition or construction of those assets.

Restricted – This category consists of resources that have external restrictions imposed by outside parties (e.g., creditors, grantors, contributors) or by law through constitutional provisions or enabling legislation.

Unrestricted – This category represents resources of the FWCU that are not subject to externally imposed restrictions and that may be used to meet the ongoing obligations to the public and creditors.

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

Capital Assets:

Property, plant, and equipment are recorded at cost. Donated property, plant, and equipment are recorded at acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' useful lives are not capitalized. When an individual asset is retired, depreciation is calculated. The difference between the original cost and the accumulated depreciation results in a recognized loss. Assets are depreciated by individual asset.

Estimated useful lives, in years, are as follows:

	Water Utility	Wastewater Utility	Stormwater Utility	Electric Utility	Yard Waste Facility
Buildings and improvements	25 – 44	25 – 44	–	35	20
Heavy equipment and other	7 – 67	7 – 67	7 – 67	10 – 35	6 – 12
Computer equipment	5	5	5	–	5
Distribution and collection	67	67	67	–	–

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2021
(Continued)

Unbilled Utility Revenue:

The Water Utility accrues revenue for estimated water distributed but not yet billed as of the balance sheet date. Likewise, the Wastewater Utility and Stormwater Utility accrue revenue for estimated wastewater and stormwater service not yet billed as of such date.

Materials and Supplies:

Materials and supplies are stated at cost (average cost for the Water Utility; first-in, first-out for the Wastewater Utility). Amounts for Stormwater, Electric, and Yard Waste are immaterial and not reported.

Regulatory assets, Discounts, and Premiums:

Bond issuance costs, discounts, and premiums are amortized over the lives of the respective bond issues using the interest method. The unamortized balance of premiums/discounts is included in noncurrent bonds payable on the statement of net position. The unamortized balance of bond issuance costs is reported as regulatory assets on the statement of net position per the exception for regulated utilities.

Compensated Absences:

Regular full-time employees earn vacation at rates from ten days to twenty-five days per year, based on the number of years of service. Two years of unused vacation leave may be carried over to the next year. Unpaid vacation pay is recorded as a liability as the benefits accrue to the employee.

Accrued compensated absences for FWCU personnel are charged as an operating expense, using the vesting method, based on earned but unused vacation and sick leave days including the FWCU share of social security and medicare taxes.

All full-time employees will receive 40 hours of sick time per calendar year to be used or forfeited by the end of the same calendar year. Regular part-time employees will receive 20 hours of sick time per calendar year. Sick time will be pro-rated for all employees hired May 1st or after, of each calendar year.

Prior to January 1, 2014 employees were allowed to accrue the unused sick time. All employees with a balance of sick time as of December 31, 2013, had this balance placed into a separate, frozen sick time account. These employees will receive compensation for this unused sick leave upon separation from employment at \$1.00 for each hour up to 520 hours.

Employees with a frozen sick time account will also be eligible to receive either 50 percent of the employee's hourly rate as of December 31, 2013 for each accumulated hour over 520, or an employee with 20 years of service who retires, may receive credit at 100 percent of the employee's hourly rate at December 31, 2013 for each sick hour over 520 to be used for the

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2021
(Continued)

purchase of group health insurance. The maximum payment per employee cannot exceed \$25,000.

Classification of Revenue:

FWCU has classified its revenue as either operating or nonoperating according to the following criteria:

- Operating revenues include activities that have the characteristics of exchange transactions, such as customer charges.
- Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as contributions and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as investment income.

Deferred Outflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement 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 Wastewater and Stormwater 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 and OPEB, as detailed in Note 14 and Note 15, respectively.

The breakdown by category of deferred outflows of resources for each utility is outlined in Note 6.

Deferred Inflows of Resources:

In addition to liabilities, the statement of financial 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. At this time, the two items that qualify for reporting in this category are related to the deferred inflows related to

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2021
(Continued)

pension and deferred inflows related to OPEB. For further information see Note 14 and Note 15, respectively.

The breakdown by category of deferred outflows of resources for each utility is outlined in Note 7.

Note 2. Deposits and Investments

Deposits:

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 bank balances were either fully insured or collateralized by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories. FWCU does not have a formal policy for custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

Investments:

Authorization for investment activity is stated in Indiana Code IC 5-13. As of December 31, 2021 FWCU does not have any investments.

Investment Policies:

Indiana Code 5-13-9 authorizes FWCU to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes FWCU to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than five years. Indiana Code also provides for investment in money market mutual funds that are in the form of securities of or interest in an open-end, no-load, management-type investment company, or investment trust registered under the provision of the Federal Investment Company act of 1940, as amended. Investments in money market mutual funds may not exceed fifty percent (50 percent) of the funds held by FWCU and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise; or repurchase agreements fully collateralized by direct obligations of the United States or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities or interest in an investment company or investment trust must be rated as AAA, or its equivalent, by Standard and Poor's Corporation or its successor, or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2021
(Continued)

Note 3. Restricted Assets

Restricted assets consisted of the following at December 31, 2021:

	Water Utility	Wastewater Utility	Stormwater Utility	Electric Utility	Yard Waste Utility	Total
Cash and cash equivalents:						
Sinking fund	\$ 1,167,647	\$ 20,282,454	\$ 875,917	\$ —	\$ —	\$ 22,326,018
Debt service reserve	13,470,798	45,031,327	2,200,550	—	1	60,702,676
Construction	56,718,534	173,865,723	996,026	—	91	231,580,374
Customer deposits	1,931,652	—	—	—	—	1,931,652
System development charge fund	1,302,394	—	—	—	—	1,302,394
Septic elimination program	—	1,454,693	—	—	—	1,454,693
Lead service line replacement program	625,575	—	—	—	—	625,575
Total cash and cash equivalents	<u>\$ 75,216,600</u>	<u>\$ 240,634,197</u>	<u>\$ 4,072,493</u>	<u>\$ —</u>	<u>\$ 92</u>	<u>\$ 319,923,382</u>

Sinking Fund:

Monthly deposits into sinking fund account for the Wastewater Utility's net revenues is required to be in an amount equal to at least 1/6 of the next semi-annual interest payment and 1/12 of the next annual principal payment. Other related debt service requirements are held in the debt service account.

Monthly deposits into sinking fund accounts of both the Water and Stormwater Utilities' net revenues are required to be in an amount equal to at least 1/6 of the next semi-annual interest payments and 1/12 of the next annual principal payments. Upon meeting certain minimum balance requirements, transfers may be made to unrestricted cash accounts. Surety bonds purchased by FWCU cover the Waterworks and Stormwater Reserve Accounts requirements.

Debt Service Reserve:

In addition to the sinking fund accounts, revenue bonds require debt service "reserve accounts" which require funding at: the lesser of ten percent of bond proceeds, the maximum annual principal and interest required thereon, or 125 percent of the average annual principal and interest requirements thereon. FWCU calculates its debt service reserve accounts on a consolidated basis and may fund the debt service reserve by holding cash or through the purchase of surety bond insurance. Among other requirements, the surety bond insurer must maintain a AAA or Aaa rating with Standards and Poor's or Moody's respectively.

Prior to 2009, all FWCU revenue bonds' debt service reserves were funded through surety bond insurance. As a result of the financial crisis that occurred in late 2008 - early 2009 and up to and including 2021, the surety bond insurers failed to maintain their AAA/Aaa rating. While still insured, this failure to maintain AAA/Aaa ratings required FWCU to cash fund the debt service reserve accounts for the affected revenue bonds. As of December 31, 2021, all surety bond insurance for

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2021
(Continued)

Waterworks, Sewage Works and Stormwater Revenue Bonds have been replaced with cash funded debt service reserves as required by bond ordinance.

Construction:

Unspent bond issue proceeds to be used in the construction of designated capital assets are included in this account.

Customer Deposits:

Customer deposits are refundable amounts received from Water Utility customers to insure against nonpayment of billings or water main damages.

System Development Charge Fund:

System development charges are assessed for all permanent connections to FWCU water system for the purpose of capital expenditures facilitating water system development.

Septic Elimination Program:

In 2009, the Fort Wayne Board of Public Works authorized the creation of a FWCU Revolving Fund as an alternative funding source for septic tank elimination in Allen County. This fund provides the funding necessary to construct wastewater mains allowing homeowners to discontinue use of failing septic tanks and connect to public infrastructure. The program also provides financial incentives to encourage septic tank elimination. Any unexpended funds are restricted for future septic tank elimination projects.

Lead Service Line Replacement Program

In 2019, the Fort Wayne Board of Public Works authorized the creation of a FWCU Revolving Fund as an alternative funding source and incentive for lead service line replacements. This fund is intended to assist City of Fort Wayne property owners with financing the cost of private lead-service line replacement projects.

Note 4. Installments and Assessments Receivable

Installments Receivable represent payments due from water customers in lieu of Lead Service Line Replacement Program financial assistance. The financed amounts are up to \$1,999 individually and are due in 120 monthly principal installments plus interest of 7.5 percent per year.

Assessments receivable represent assessments due from customers for wastewater connections in lieu of Septic Elimination Program. The individual assessments range from \$2,000 to \$30,000 and are due in 60, 120 or 180 monthly principal installments plus interest ranging from zero percent to seven percent per year.

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2021
(Continued)

Note 5. Capital Assets

The following changes occurred in capital assets by fund during the year ended December 31, 2021:

Water Utility

	Balance, 1/1/2021	Additions	Disposals	Transfers and Adjustments	Balance, 12/31/2021
Land	\$ 5,875,200	\$ —	\$ —	\$ 457,703	\$ 6,332,903
Distribution and collection	250,164,834	—	1,778,627	9,350,000	257,736,207
Buildings and improvement	85,466,635	—	9,200	4,971,102	90,428,537
Equipment and other	132,057,111	904,190	3,656,486	10,136,452	139,441,267
Construction in progress	32,327,053	19,780,208	—	(24,443,848)	27,663,413
	<u>505,890,833</u>	<u>20,684,398</u>	<u>5,444,313</u>	<u>471,409</u>	<u>521,602,327</u>
Less accumulated depreciation:					
Distribution and collection	73,685,613	3,839,692	1,393,026	—	76,132,279
Buildings and improvement	41,784,588	1,444,917	1,977	—	43,227,528
Equipment and other	77,418,801	4,566,862	3,390,826	164,533	78,759,370
Sub-total	<u>192,889,002</u>	<u>9,851,471</u>	<u>4,785,829</u>	<u>164,533</u>	<u>198,119,177</u>
Net Capital Assets	<u>\$ 313,001,831</u>	<u>\$ 10,832,927</u>	<u>\$ 658,484</u>	<u>\$ 306,876</u>	<u>\$ 323,483,150</u>

Wastewater Utility

	Balance, 1/1/2021	Additions	Disposals	Transfers and Adjustments	Balance, 12/31/2021
Land	\$ 4,230,449	\$ —	\$ —	\$ 78,493	\$ 4,308,942
Distribution and collection	402,459,963	—	465,424	9,193,868	411,188,407
Buildings and improvement	214,558,400	—	279,351	5,466,634	219,745,683
Equipment and other	153,552,535	1,144,247	7,651,789	11,611,273	158,656,266
Construction in progress	267,504,085	67,645,309	—	(29,988,844)	305,160,550
	<u>1,042,305,432</u>	<u>68,789,556</u>	<u>8,396,564</u>	<u>(3,638,576)</u>	<u>1,099,059,848</u>
Less accumulated depreciation:					
Distribution and collection	102,066,339	6,242,440	411,901	—	107,896,878
Buildings and improvement	65,499,456	4,245,956	116,049	—	69,629,363
Equipment and other	84,711,667	6,844,138	7,531,648	130,501	84,154,658
Sub-total	<u>252,277,462</u>	<u>17,332,534</u>	<u>8,059,598</u>	<u>130,501</u>	<u>261,680,899</u>
Net Capital Assets	<u>\$ 790,027,970</u>	<u>\$ 51,457,022</u>	<u>\$ 336,966</u>	<u>\$ (3,769,077)</u>	<u>\$ 837,378,949</u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2021
(Continued)

Stormwater Utility

	Balance, 1/1/2021	Additions	Disposals	Transfers and Adjustments	Balance, 12/31/2021
Land	\$ 6,273,776	\$ 2,698	\$ —	\$ 157,581	\$ 6,434,055
Distribution and collection	179,097,744	—	1,770,881	13,949,951	191,276,814
Buildings and improvement	3,265,112	—	31,162	355,384	3,589,334
Equipment and other	5,982,325	264,619	431,352	518,990	6,334,582
Construction in progress	12,155,243	11,129,668	—	(11,818,272)	11,466,639
	<u>206,774,200</u>	<u>11,396,985</u>	<u>2,233,395</u>	<u>3,163,634</u>	<u>219,101,424</u>
Less accumulated depreciation:					
Distribution and collection	48,092,245	2,896,040	1,770,881	—	49,217,404
Buildings and improvement	1,046,574	82,368	6,243	—	1,122,699
Equipment and other	4,662,857	439,538	430,923	(297,543)	4,373,929
Sub-total	<u>53,801,676</u>	<u>3,417,946</u>	<u>2,208,047</u>	<u>(297,543)</u>	<u>54,714,032</u>
Net Capital Assets	<u>\$ 152,972,524</u>	<u>\$ 7,979,039</u>	<u>\$ 25,348</u>	<u>\$ 3,461,177</u>	<u>\$ 164,387,392</u>

Electric Utility

	Balance, 1/1/2021	Additions	Disposals	Transfers and Adjustments	Balance, 12/31/2021
Land	\$ 75,732	\$ —	\$ —	\$ —	\$ 75,732
Distribution and collection	—	—	—	—	—
Buildings and improvement	1,121,198	—	—	—	1,121,198
Equipment and other	342,787	—	—	—	342,787
Construction in progress	—	—	—	—	—
	<u>1,539,717</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,539,717</u>
Less accumulated depreciation:					
Distribution and collection	—	—	—	—	—
Buildings and improvement	1,120,750	437	—	—	1,121,187
Equipment and other	329,654	8,569	—	—	338,223
Sub-total	<u>1,450,404</u>	<u>9,006</u>	<u>—</u>	<u>—</u>	<u>1,459,410</u>
Net Capital Assets	<u>\$ 89,313</u>	<u>\$ (9,006)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 80,307</u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2021
(Continued)

Yard Waste Utility

	Balance, 1/1/2021	Additions	Disposals	Transfers and Adjustments	Balance, 12/31/2021
Land	\$ —	\$ —	\$ —	\$ —	\$ —
Distribution and collection	—	—	—	—	—
Buildings and improvement	68,777	—	—	—	68,777
Equipment and other	48,807	1,981	44,713	2,794	8,869
Construction in progress	3,714	451	—	743	4,908
	<u>121,298</u>	<u>2,432</u>	<u>44,713</u>	<u>3,537</u>	<u>82,554</u>
Less accumulated depreciation:					
Distribution and collection	—	—	—	—	—
Buildings and improvement	68,777	—	—	—	68,777
Equipment and other	47,389	800	44,696	2,513	6,006
Sub-total	<u>116,166</u>	<u>800</u>	<u>44,696</u>	<u>2,513</u>	<u>74,783</u>
Net Capital Assets	<u>\$ 5,132</u>	<u>\$ 1,632</u>	<u>\$ 17</u>	<u>\$ 1,024</u>	<u>\$ 7,771</u>

Total FWCU

	Balance, 1/1/2021	Additions	Disposals	Transfers and Adjustments	Balance, 12/31/2021
Land	\$ 16,455,157	\$ 2,698	\$ —	\$ 693,777	\$ 17,151,632
Distribution and collection	831,722,541	—	4,014,932	32,493,819	860,201,428
Buildings and improvement	304,480,122	—	319,713	10,793,120	314,953,529
Equipment and other	291,983,565	2,315,037	11,784,340	22,269,509	304,783,771
Construction in progress	311,990,095	98,555,636	—	(66,250,221)	344,295,510
	<u>1,756,631,480</u>	<u>100,873,371</u>	<u>16,118,985</u>	<u>4</u>	<u>1,841,385,870</u>
Less accumulated depreciation:					
Distribution and collection	223,844,197	12,978,172	3,575,808	—	233,246,561
Buildings and improvement	109,520,145	5,773,678	124,269	—	115,169,554
Equipment and other	167,170,368	11,859,907	11,398,093	4	167,632,186
Sub-total	<u>500,534,710</u>	<u>30,611,757</u>	<u>15,098,170</u>	<u>4</u>	<u>516,048,301</u>
Net Capital Assets	<u>\$ 1,256,096,770</u>	<u>\$ 70,261,614</u>	<u>\$ 1,020,815</u>	<u>\$ —</u>	<u>\$ 1,325,337,569</u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2021
(Continued)

Note 6. Deferred Outflows of Resources

The following is a summary of changes in deferred outflows of resources for the year ended December 31, 2021:

Water Utility

	Balance, 1/1/2021	Additions	Deductions	Balance, 12/31/2021
Debt refunding loss	\$ —	\$ —	\$ —	\$ —
Outflow of resources related to pensions (see note 14)	922,176	658,525	13,694	1,567,007
Outflow of resources related to OPEB (see note 15)	1,462,255	—	195,164	1,267,091
Total	<u>\$ 2,384,431</u>	<u>\$ 658,525</u>	<u>\$ 208,858</u>	<u>\$ 2,834,098</u>

Wastewater Utility

	Balance, 1/1/2021	Additions	Deductions	Balance, 12/31/2021
Debt refunding loss	\$ 1,023,025	\$ —	\$ 542,386	\$ 480,639
Outflow of resources related to pensions (see note 14)	1,409,674	1,108,388	—	2,518,062
Outflow of resources related to OPEB (see note 15)	2,247,517	—	325,791	1,921,726
Total	<u>\$ 4,680,216</u>	<u>\$ 1,108,388</u>	<u>\$ 868,177</u>	<u>\$ 4,920,427</u>

Stormwater Utility

	Balance, 1/1/2021	Additions	Deductions	Balance, 12/31/2021
Debt refunding loss	\$ 11,377	\$ —	\$ 11,377	\$ —
Outflow of resources related to pensions (see note 14)	270,142	189,453	—	459,595
Outflow of resources related to OPEB (see note 15)	631,892	—	54,750	577,142
Total	<u>\$ 913,411</u>	<u>\$ 189,453</u>	<u>\$ 66,127</u>	<u>\$ 1,036,737</u>

Total FWCU

	Balance, 1/1/2021	Additions	Deductions	Balance, 12/31/2021
Debt refunding loss	\$ 1,034,402	\$ —	\$ 553,763	\$ 480,639
Outflow of resources related to pensions (see note 14)	2,601,992	1,956,366	13,694	4,544,664
Outflow of resources related to OPEB (see note 15)	4,341,664	—	575,705	3,765,959
Total	<u>\$ 7,978,058</u>	<u>\$ 1,956,366</u>	<u>\$ 1,143,162</u>	<u>\$ 8,791,262</u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2021
(Continued)

Note 7. Deferred Inflows of Resources

The following is a summary of changes in deferred inflows of resources for the year ended December 31, 2021:

Water Utility

	Balance, 1/1/2021	Additions	Deductions	Balance, 12/31/2021
Inflow of resources related to pensions (see note 14)	\$ 958,783	\$ 1,912,161	\$ —	\$ 2,870,944
Inflow of resources related to OPEB (see note 15)	1,225,536	—	159,900	1,065,636
Total	<u>\$ 2,184,319</u>	<u>\$ 1,912,161</u>	<u>\$ 159,900</u>	<u>\$ 3,936,580</u>

Wastewater Utility

	Balance, 1/1/2021	Additions	Deductions	Balance, 12/31/2021
Inflow of resources related to pensions (see note 14)	\$ 1,429,207	\$ 3,192,012	\$ —	\$ 4,621,219
Inflow of resources related to OPEB (see note 15)	1,907,288	—	266,924	1,640,364
Total	<u>\$ 3,336,495</u>	<u>\$ 3,192,012</u>	<u>\$ 266,924</u>	<u>\$ 6,261,583</u>

Stormwater Utility

	Balance, 1/1/2021	Additions	Deductions	Balance, 12/31/2021
Inflow of resources related to pensions (see note 14)	\$ 465,924	\$ 536,421	\$ —	\$ 1,002,345
Inflow of resources related to OPEB (see note 15)	462,874	—	44,856	418,018
Total	<u>\$ 928,798</u>	<u>\$ 536,421</u>	<u>\$ 44,856</u>	<u>\$ 1,420,363</u>

Total FWCU

	Balance, 1/1/2021	Additions	Deductions	Balance, 12/31/2021
Inflow of resources related to pensions (see note 14)	\$ 2,853,914	\$ 5,640,594	\$ —	\$ 8,494,508
Inflow of resources related to OPEB (see note 15)	3,595,698	—	471,680	3,124,018
Total	<u>\$ 6,449,612</u>	<u>\$ 5,640,594</u>	<u>\$ 471,680</u>	<u>\$ 11,618,526</u>

Note 8. Developer Notes Payable

Certain future revenues in newly developed areas are pledged as payment to retire developer debt associated with infrastructure installed to enable the new developments. Capital surcharges applicable only to designated new development regions and area connection fees generated from the designated new development regions will be applied to the developer debt until paid in full. Only revenue generated and collected from the new developments is available to retire the debt. In 2021, the Water Utility was the only utility with outstanding developer notes payable. As of December 31, 2021 the total developer notes payable liability, included in current liabilities, is \$10,267 and total pledged revenues in 2021 were \$2,756.

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2021
(Continued)

Note 9. Long-Term Debt

Bonds Payable:

Water Utility bonds payable at December 31, 2021 are as follows:

Water Works Revenue Bonds of 2012 - original issue of \$40,000,000 - due in annual installments of \$2,210,000 to \$2,975,000 plus interest at 3.000 percent to 3.000 percent through December 1, 2032, redeemable prior to maturity for bonds maturing on or after 2023, plus unamortized bond premium of \$202,931.	\$ 28,537,931
Water Works Revenue Bonds of 2014 - original issue of \$63,000,000 - due in annual installments of \$3,590,000 to \$5,730,000 plus interest at 3.000 percent to 4.000 percent through December 1, 2034, plus unamortized bond premium of \$740,171.	59,460,171
Water Works Revenue Bonds of 2019 Series A - original issue of \$11,770,000 - due in annual installments of \$450,000 to \$815,000 plus interest at .050 percent to 7.000 percent through December 1, 2039, redeemable prior to maturity for bonds maturing after 2029, less unamortized bond discount of \$10,621.	<u>10,899,379</u>
Total	<u>98,897,481</u>
Less: Current Portion	<u>(6,250,000)</u>
Noncurrent Bonds Payable, net	<u><u>\$ 92,647,481</u></u>

Water Utility bond debt service requirements to maturity as of December 31, 2021 are as follows:

Year Due	Principal	Interest	Total
2022	\$ 6,250,000	\$ 3,272,656	\$ 9,522,656
2023	6,450,000	3,067,156	9,517,156
2024	6,640,000	2,855,256	9,495,256
2025	6,875,000	2,639,906	9,514,906
2026	7,085,000	2,426,306	9,511,306
2027-2031	39,560,000	8,553,832	48,113,832
2032-2036	22,750,000	1,723,720	24,473,720
2037-2039	2,355,000	19,543	2,374,543
Total	<u><u>\$ 97,965,000</u></u>	<u><u>\$ 24,558,375</u></u>	<u><u>\$ 122,523,375</u></u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2021
(Continued)

Wastewater Utility bonds payable at December 31, 2021 are as follows:

Sewage Works Revenue Bonds of 2011 Series A - original issue of \$38,100,000 - due in annual installments of \$3,040,000 to \$3,490,000 plus interest at 2.800 percent through August 1, 2026, redeemable at 100 percent beginning in 2022.	\$ 16,280,000
Sewage Works Revenue Bonds of 2012 Series B - original issue of \$15,530,000 - due in annual installments of \$1,125,000 to \$1,295,000 plus interest at 2.000 percent to 3.000 percent through August 1, 2027, redeemable at 100 percent beginning in 2023, plus unamortized bond premium of \$136,853.	7,371,853
Sewage Works Refunding Revenue Bonds of 2012 - original issue of \$19,675,000 - due in annual installments of \$2,140,000 to \$2,140,000 plus interest at 1.450 percent through August 1, 2022, redeemable at 100 percent beginning in 2021, plus unamortized bond premium of \$796.	2,140,796
Sewage Works Revenue Bonds of 2013 Series A - original issue of \$32,955,000 - due in annual installments of \$3,840,000 to \$4,060,000 plus interest at 1.950 percent through August 1, 2024.	11,855,000
Sewage Works Revenue Bonds of 2013 Series B - original issue of \$42,260,000 - due in annual installments of \$4,165,000 to \$5,295,000 plus interest at 3.500 percent to 3.630 percent starting with August 1, 2025 through August 1, 2033, redeemable at 100 percent beginning in 2023, plus unamortized bond premium of \$245,006.	42,505,006
Sewage Works Refunding Revenue Bonds of 2016 - original issue of \$35,440,000 - due in annual installments of \$1,480,000 to \$4,040,000 plus interest at 2.000 percent to 4.000 percent through August 1, 2027, redeemable at 100 percent beginning in 2024, plus unamortized bond premium of \$749,777.	19,024,777
Sewage Works Refunding Revenue Bonds of 2017 Series A - original issue of \$16,700,000 - due in annual installments of \$1,245,000 to \$1,500,000 plus interest at 2.530 percent through August 1, 2030, redeemable at 100.5 percent on or after February 1, 2025 for obligations maturing on or after August 1, 2026, and at 100 percent on or after August 1, 2027 for obligations maturing on or after August 1, 2028.	12,305,000
Sewage Works Refunding Revenue Bonds of 2017 Series B - original issue of \$16,700,000 - due in annual installments of \$1,250,000 to \$1,500,000 plus interest at 2.530 percent through August 1, 2030, redeemable at 100.5 percent beginning on August 1, 2025 to July 31, 2027 and at 100 percent thereafter.	12,290,000
Sewage Works Revenue and Revenue Refunding Revenue Bonds of 2020 Series B - original issue of \$33,785,000 - due in annual installments of \$905,000 to \$2,540,000 plus interest at 2.000 percent to 4.000 percent through August 1, 2040, redeemable at 100 percent beginning on August 1, 2029, plus unamortized bond premium of \$1,115,251.	32,385,251
Total	<u>156,157,683</u>
Less: Current Portion	<u>(18,270,000)</u>
Noncurrent Bonds Payable, net	<u><u>\$ 137,887,683</u></u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2021
(Continued)

Wastewater Utility bond debt service requirements to maturity as of December 31, 2021 are as follows:

Year Due	Principal	Interest	Total
2022	\$ 18,270,000	\$ 4,565,021	\$ 22,835,021
2023	16,725,000	4,099,468	20,824,468
2024	17,210,000	3,653,609	20,863,609
2025	17,725,000	3,137,523	20,862,523
2026	15,550,000	2,563,782	18,113,782
2027-2031	48,460,000	7,103,503	55,563,503
2032-2036	15,380,000	1,536,270	16,916,270
2037-2040	4,590,000	284,914	4,874,914
Total	<u>\$ 153,910,000</u>	<u>\$ 26,944,090</u>	<u>\$ 180,854,090</u>

Stormwater Utility bonds payable at December 31, 2021 are as follows:

Stormwater Management District Revenue Bonds of 2017 - original issue of \$27,320,000 - due in semiannual installments of \$780,000 to \$1,065,000 plus interest at 2.000 percent to 3.000 percent through August 1, 2033, redeemable prior to maturity for bonds maturing after 2028, plus unamortized bond premium of \$230,898.	\$ 21,045,898
Less: Current Portion	(1,570,000)
Noncurrent Bonds Payable, net	<u>\$ 19,475,898</u>

Stormwater Utility bond debt service requirements to maturity as of December 31, 2021 are as follows:

Year Due	Principal	Interest	Total
2022	\$ 1,570,000	\$ 534,400	\$ 2,104,400
2023	1,605,000	502,800	2,107,800
2024	1,640,000	470,550	2,110,550
2025	1,680,000	437,550	2,117,550
2026	1,730,000	403,700	2,133,700
2027-2031	9,445,000	1,269,075	10,714,075
2032-2033	3,145,000	94,875	3,239,875
Total	<u>\$ 20,815,000</u>	<u>\$ 3,712,950</u>	<u>\$ 24,527,950</u>

Loans Payable:

The Indiana State Revolving Fund Loan Program (SRF) is a program that provides wastewater and drinking water loans, often at reduced interest rates and reduced issuance costs, to Indiana cities and towns. SRF draw-down loans are awarded as a “not-to-exceed” loan amount and the amount is later fixed at the amount actually borrowed to complete the pre-established wastewater or drinking water projects. The interest rate is fixed at the time of the award and the duration is established shortly thereafter. SRF advance loans are mainly shared pool loans. SRF coordinates the financing activities for several Indiana communities and issues bonds on the open market to provide the funding for each community’s projects. The loan amount, interest rate, and duration

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2021
(Continued)

are fixed at the time of the consolidated loan's issuance. Occasionally, SRF will make traditional loans with fixed rate, amount and duration.

SRF loans payable are issued on a parity basis with revenue bonds and are collateralized identically by the net revenues of the issuing utility.

Details of all Water Utility State Revolving Fund (SRF) loans payable at December 31, 2021 are as follows:

SRF Draw-down loans:

Water Works SRF Revenue Bonds of 2019 Series B - maximum draw of \$7,500,000 - due in annual installments of \$158,000 to \$305,000 at zero interest through December 1, 2048, as of December 31, 2021 total drawn amount is \$6,213,734.	\$ 5,607,734
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SRF Advance loans:

Water Works SRF Revenue Bonds of 2011 Series B - original pool share of \$26,906,000 - due in annual installments of \$1,504,000 to \$2,073,000 plus interest at 2.967 percent through December 1, 2031, redeemable prior to maturity for bonds maturing after 2021.	17,753,000
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Water Works SRF Revenue Bonds of 2019 Series C - original pool share of \$21,740,000 - due in annual installments of \$286,000 to \$1,234,000 plus interest at 2.970 percent through December 1, 2048, redeemable prior to maturity for bonds maturing after 2029.	20,319,000
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Water Works SRF Revenue Bonds of 2021 - original issue of \$44,480,000 - due in annual installments of \$10,000 to \$2,732,480 plus interest at 1.950 percent through December 1, 2042, redeemable prior to maturity for bonds maturing after 2032.	44,480,000
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Total	88,159,734
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Less: Current Portion	(2,559,000)
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Noncurrent Loans Payable	<u>\$ 85,600,734</u>
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Water Utility anticipated loan debt service requirements to maturity, after all remaining loan principal has been drawn down, as of December 31, 2021 are as follows:

Year Due	Principal	Interest	Total
2022	\$ 2,559,000	\$ 1,963,836	\$ 4,522,836
2023	4,418,734	1,930,711	6,349,445
2024	4,534,201	1,826,804	6,361,005
2025	4,656,453	1,719,855	6,376,308
2026	4,779,504	1,609,665	6,389,169
2027-2031	25,558,897	6,282,084	31,840,981
2032-2036	18,529,514	3,580,508	22,110,022
2037-2041	18,234,217	1,573,328	19,807,545
2042-2046	5,141,480	280,895	5,422,375
2047-2048	1,034,000	26,715	1,060,715
Total	<u>\$ 89,446,000</u>	<u>\$ 20,794,401</u>	<u>\$ 110,240,401</u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2021
(Continued)

Details of all Wastewater Utility State Revolving Fund (SRF) loans payable at December 31, 2021 are as follows:

SRF Draw-down loans:

Sewage Works SRF Revenue Bonds of 2009 Series A - maximum draw of \$5,000,000 - due in annual installments of \$245,389 to \$248,547 plus interest at .160 percent through August 1, 2030, redeemable prior to maturity for bonds maturing after 2020. Loan is completely drawn-down.	\$ 2,222,683
Sewage Works SRF Revenue Bonds of 2011 Series B - maximum draw of \$33,576,000 - due in annual installments of \$1,691,000 to \$2,073,000 plus interest at 2.300 percent through August 1, 2031, redeemable prior to maturity for bonds maturing after 2023. Loan is completely drawn-down.	18,763,000
Sewage Works SRF Revenue Bonds of 2012 Series A - maximum draw of \$10,415,000 - due in annual installments of \$513,000 to \$612,000 plus interest at 1.780 percent through August 1, 2032, redeemable prior to maturity for bonds maturing after 2024. Loan is completely drawn-down.	6,171,000
Sewage Works SRF Revenue Bonds of 2014 Series A - maximum draw of \$17,000,000 - due in annual installments of \$847,000 to \$1,094,000 plus interest at 2.350 percent through August 1, 2033, redeemable prior to maturity for bonds maturing after 2026. Loan is completely drawn-down.	11,590,000
Sewage Works SRF Revenue Bonds of 2016 Series A - maximum draw of \$108,000,000 - due in annual installments of \$3,050,000 to \$6,075,000 plus interest at 2.000 percent through February 1, 2039, redeemable prior to maturity for bonds maturing after 2028. As of December 31, 2021, total drawn amount is \$107,982,262.	91,232,262
Sewage Works SRF Revenue Bonds of 2018 Series B - maximum draw of \$21,722,416 - due in annual installments of \$859,000 to \$1,398,800 plus interest at 2.860 percent through August 1, 2039, redeemable prior to maturity for bonds maturing after 2029. As of December 31, 2021, loan is completely drawn-down.	19,917,700

SRF Advance loans:

Sewage Works SRF Revenue Bonds of 2014 Series B - original pool share of \$60,872,000 - due in annual installments of \$805,000 to \$6,160,000 plus interest at 3.074 percent through August 1, 2034, redeemable prior to maturity for bonds maturing after 2027.	56,617,000
Sewage Works SRF Revenue Bonds of 2014 Series C - original pool share of \$5,015,000 - due in annual installments of \$235,000 to \$350,000 plus interest at 3.074 percent through August 1, 2034, redeemable prior to maturity for bonds maturing after 2027.	3,745,000
Sewage Works SRF Revenue Bonds of 2016 Series B - original pool share of \$138,583,000 - due in annual installments of \$3,514,568 to \$7,325,433 plus interest at 3.060 percent through August 1, 2046, redeemable prior to maturity for bonds maturing after 2028.	129,894,026
Sewage Works SRF Revenue Bonds of 2020 Series A - original share of \$25,000,000 - due in annual installments of \$1,015,000 to \$1,455,000 plus interest at 2.000 percent through August 1, 2040, redeemable prior to maturity for bonds maturing after 2028.	23,220,000
Sewage Works SRF Revenue Bonds of 2020 Series C - original pool share of \$25,000,000 - due in annual installments of \$983,000 to \$1,449,000 plus interest at 2.000 percent through August 1, 2041, redeemable prior to maturity for bonds maturing after 2028.	24,011,000
Sewage Works SRF Revenue Bonds of 2021 - original issue of \$140,000,000 - due in annual installments of \$50,000 to \$14,477,364 plus interest at 2.220 percent through August 1, 2042, redeemable prior to maturity for bonds maturing after 2031.	140,000,000
Total	527,383,671
Less: Current Portion	(15,157,957)
Noncurrent Bonds Payable, net	<u>\$ 512,225,714</u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2021
(Continued)

Wastewater Utility anticipated loan debt service requirements to maturity, after all remaining loan principal has been drawn down, as of December 31, 2021 are as follows:

Year Due	Principal	Interest	Total
2022	\$ 15,157,957	\$ 11,884,322	\$ 27,042,279
2023	19,965,089	12,731,683	32,696,772
2024	20,410,021	12,244,450	32,654,471
2025	20,863,901	11,746,042	32,609,943
2026	22,702,178	11,236,280	33,938,458
2027-2031	128,916,052	47,220,491	176,136,543
2032-2036	131,260,557	29,991,841	161,252,398
2037-2041	119,145,356	14,471,235	133,616,591
2042-2046	48,980,298	3,210,149	52,190,447
Total	<u>\$ 527,401,409</u>	<u>\$ 154,736,493</u>	<u>\$ 682,137,902</u>

On December 15, 2021 FWCU also issued \$80,000 Taxable Waterworks Bond Anticipation Notes of 2021 (BAN) through SRF. The proceeds will be used to partially fund the regionalization project with Town of Grabill and Town of Maysville Indiana. The BAN has zero interest rate and matures on March 31, 2025, unless prepaid or forgiven in accordance with the financial assistance agreement. The BAN is a draw-down loan and as of December 31, 2021 nothing has been drawn against it. FWCU is confident that it will comply with all the financial assistance agreement provisions and the loan will be forgiven prior to maturity date.

Capital Leases:

FWCU has entered into several Capital Leases related to vehicles and equipment. The details of the capital leases at December 31, 2021 are as follows:

Description	Original Lease Amount					Total
	Water	Wastewater	Stormwater	Electric	Yard Waste	
2017 Equipment Lease	\$ 432,627	\$ 963,228	\$ 314,094	\$ —	\$ 51	\$ 1,710,000
2018 Equipment Lease	255,588	590,972	194,348	—	92	1,041,000
2019 Equipment Lease	471,435	1,266,918	706,647	—	—	2,445,000
2020 Equipment Lease	948,548	1,490,254	561,075	—	123	3,000,000
2021 Equipment Lease	827,009	1,266,043	356,874	—	74	2,450,000
Total	<u>\$ 2,935,207</u>	<u>\$ 5,577,415</u>	<u>\$ 2,133,038</u>	<u>\$ —</u>	<u>\$ 340</u>	<u>\$10,646,000</u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2021
(Continued)

The anticipated capital lease debt service requirements to maturity as of December 31, 2021 are as follows:

Water Utility

Year Due	Principal	Interest	Total
2022	\$ 414,094	\$ 34,533	\$ 448,627
2023	421,727	26,900	448,627
2024	396,116	19,106	415,222
2025	349,071	12,206	361,277
2026	297,013	6,489	303,502
2027-2028	254,505	2,980	257,485
Total	<u>\$ 2,132,526</u>	<u>\$ 102,214</u>	<u>\$ 2,234,740</u>

Wastewater Utility

Year Due	Principal	Interest	Total
2022	\$ 789,869	\$ 67,945	\$ 857,814
2023	805,619	52,195	857,814
2024	747,266	36,091	783,357
2025	639,305	21,979	661,284
2026	503,024	10,588	513,612
2027-2028	392,560	4,581	397,141
Total	<u>\$ 3,877,643</u>	<u>\$ 193,379</u>	<u>\$ 4,071,022</u>

Stormwater Utility

Year Due	Principal	Interest	Total
2022	\$ 301,162	\$ 27,196	\$ 328,358
2023	307,447	20,910	328,357
2024	289,752	14,477	304,229
2025	256,050	8,658	264,708
2026	189,831	3,674	193,505
2027-2028	121,152	1,356	122,508
Total	<u>\$ 1,465,394</u>	<u>\$ 76,271</u>	<u>\$ 1,541,665</u>

Yard Waste Utility

Year Due	Principal	Interest	Total
2022	\$ 48	\$ 4	\$ 52
2023	48	3	51
2024	46	2	48
2025	38	1	39
2026	33	1	34
2027-2028	27	—	27
Total	<u>\$ 240</u>	<u>\$ 11</u>	<u>\$ 251</u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2021
(Continued)

Assets acquired through capital leases still in effect as of December 31, 2021 are as follows:

	Water Utility	Wastewater Utility	Stormwater Utility	Yard Utility	Total
Equipment and other	\$ 2,187,731	\$ 2,185,882	\$ 1,401,839	\$ 271	\$ 5,775,723
Accumulated depreciation	(690,808)	(885,895)	(451,184)	(61)	(2,027,948)
Net	<u>\$ 1,496,923</u>	<u>\$ 1,299,987</u>	<u>\$ 950,655</u>	<u>\$ 210</u>	<u>\$ 3,747,775</u>

Changes in Long-Term Liabilities:

The following is a summary of long-term obligations for FWCU for the year ended December 31, 2021:

Water Utility

	Balance, 1/1/2021	Additions	Deductions	Balance, 12/31/2021	Current Portion
Bonds and loans					
Revenue bonds payable, net	\$ 102,350,427	\$ —	\$ 3,452,946	\$ 98,897,481	\$ 6,250,000
Loans payable	46,376,204	47,013,530	5,230,000	88,159,734	2,559,000
Capital lease payable	1,656,988	826,075	350,537	2,132,526	414,094
Total bonds and loans	<u>150,383,619</u>	<u>47,839,605</u>	<u>9,033,483</u>	<u>189,189,741</u>	<u>9,223,094</u>
Other noncurrent liabilities					
Accrued compensated absences	929,479	978,521	955,799	952,201	742,923
Net pension liability (see note 14)	4,044,904	—	2,268,850	1,776,054	—
Total OPEB liability (see note 15)	<u>5,560,717</u>	<u>—</u>	<u>73,047</u>	<u>5,487,670</u>	<u>309,937</u>
Total other noncurrent liabilities	10,535,100	978,521	3,297,696	8,215,925	1,052,860
Total long-term liabilities	<u>\$ 160,918,719</u>	<u>\$ 48,818,126</u>	<u>\$ 12,331,179</u>	<u>\$ 197,405,666</u>	<u>\$ 10,275,954</u>

Wastewater Utility

	Balance, 1/1/2021	Additions	Deductions	Balance, 12/31/2021	Current Portion
Bonds and loans					
Revenue bonds payable, net	\$ 174,613,983	\$ —	\$ 18,456,300	\$ 156,157,683	\$ 18,270,000
Loans payable	372,782,698	169,379,156	14,778,183	527,383,671	15,157,957
Capital lease payable	3,299,599	1,266,656	688,612	3,877,643	789,869
Total bonds and loans	<u>550,696,280</u>	<u>170,645,812</u>	<u>33,923,095</u>	<u>687,418,997</u>	<u>34,217,826</u>
Other noncurrent liabilities					
Accrued compensated absences	961,880	1,086,414	1,065,743	982,551	766,225
Net pension liability (see note 14)	5,803,667	—	3,787,441	2,016,226	—
Total OPEB liability (see note 15)	<u>8,337,376</u>	<u>—</u>	<u>121,938</u>	<u>8,215,438</u>	<u>517,384</u>
Total other noncurrent liabilities	15,102,923	1,086,414	4,975,122	11,214,215	1,283,609
Total long-term liabilities	<u>\$ 565,799,203</u>	<u>\$ 171,732,226</u>	<u>\$ 38,898,217</u>	<u>\$ 698,633,212</u>	<u>\$ 35,501,435</u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2021
(Continued)

Stormwater Utility

	Balance, 1/1/2021	Additions	Deductions	Balance, 12/31/2021	Current Portion
Bonds and loans					
Revenue bonds payable, net	\$ 22,702,519	\$ —	\$ 1,656,621	\$ 21,045,898	\$ 1,570,000
Capital lease payable	1,379,053	357,160	270,819	1,465,394	301,162
Total bonds and loans	24,081,572	357,160	1,927,440	22,511,292	1,871,162
Other noncurrent liabilities					
Accrued compensated absences	160,774	219,634	229,455	150,953	139,444
Net pension liability (see note 14)	2,297,340	—	636,484	1,660,856	—
Total OPEB liability (see note 15)	2,995,113	—	20,493	2,974,620	86,947
Total other noncurrent liabilities	5,453,227	219,634	886,432	4,786,429	226,391
Total long-term liabilities	<u>\$ 29,534,799</u>	<u>\$ 576,794</u>	<u>\$ 2,813,872</u>	<u>\$ 27,297,721</u>	<u>\$ 2,097,553</u>

Yard Waste Utility

	Balance, 1/1/2021	Additions	Deductions	Balance, 12/31/2021	Current Portion
Bonds and loans					
Capital lease payable	\$ 173	\$ 109	\$ 42	\$ 240	\$ 48
Other noncurrent liabilities					
Accrued compensated absences	1,393	1,983	1,642	1,734	1,436
Total long-term liabilities	<u>\$ 1,566</u>	<u>\$ 2,092</u>	<u>\$ 1,684</u>	<u>\$ 1,974</u>	<u>\$ 1,484</u>

Total FWCU

	Balance, 1/1/2021	Additions	Deductions	Balance, 12/31/2021	Current Portion
Bonds and loans					
Revenue bonds payable, net	\$ 299,666,929	\$ —	\$ 23,565,867	\$ 276,101,062	\$ 26,090,000
Loans payable	419,158,902	216,392,686	20,008,183	615,543,405	17,716,957
Capital lease payable	6,335,813	2,450,000	1,310,010	7,475,803	1,505,173
Total bonds and loans	725,161,644	218,842,686	44,884,060	899,120,270	45,312,130
Other noncurrent liabilities					
Accrued compensated absences	2,053,526	2,286,552	2,252,639	2,087,439	1,650,028
Net pension liability (see note 14)	12,145,911	—	6,692,775	5,453,136	—
Total OPEB liability (see note 15)	16,893,206	—	215,478	16,677,728	914,268
Total other noncurrent liabilities	31,092,643	2,286,552	9,160,892	24,218,303	2,564,296
Total long-term liabilities	<u>\$ 756,254,287</u>	<u>\$ 221,129,238</u>	<u>\$ 54,044,952</u>	<u>\$ 923,338,573</u>	<u>\$ 47,876,426</u>

Note 10. Related Party Transactions

During the course of operations, numerous transactions occurred between FWCU and various departments of the City of Fort Wayne (the City) for goods and services rendered. In 2021, FWCU received from the City \$549,699 for water, \$525,690 for sewer and \$122,246 for stormwater services.

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2021
(Continued)

The City received the following from FWCU in 2021:

	Water Utility	Wastewater Utility	Stormwater Utility	Yard Waste Utility	Total
Self insurance	\$ 3,358,538	\$ 3,153,165	\$ 649,420	\$ 4,536	\$ 7,165,659
Garage services	644,050	625,678	182,741	125	1,452,594
Overhead charges	744,946	1,181,903	196,090	4,993	2,127,932
Office and technical services	138,491	27,554	34,561	55	200,661
Transfers out in lieu of taxes	3,379,788	4,805,892	784,212	—	8,969,892
Total	<u>\$ 8,265,813</u>	<u>\$ 9,794,192</u>	<u>\$ 1,847,024</u>	<u>\$ 9,709</u>	<u>\$ 19,916,738</u>

Note 11. Interfund Assets and Liabilities

As of December 31, 2021, amounts due from/to other funds of the City resulting from various interfund transactions were as follows:

Due from City:

Receivable Fund	Payable Fund					Total
	General	Highways and Streets	LIT-ED	Self Insurance	Garage	
Water	\$ 135,945	\$ 5,235	\$ —	\$ 3,203	\$ 1,730	\$ 146,113
Wastewater	203,516	—	—	3,716	2,138	209,370
Stormwater	40,935	—	315,616	1,010	569	358,130
Yard Waste	863	—	—	5	2	870
Total	<u>\$ 381,259</u>	<u>\$ 5,235</u>	<u>\$ 315,616</u>	<u>\$ 7,934</u>	<u>\$ 4,439</u>	<u>\$ 714,483</u>

Due to City:

Receivable Fund	Payable Fund				Total
	Water	Wastewater	Stormwater	Yard Waste	
General	\$ 1,802,985	\$ 2,569,855	\$ 458,118	\$ 685	\$ 4,831,643
Highways and Streets	812	27,226	140,859	—	168,897
LIT-ED	—	—	3,000	—	3,000
Parks	3,317	—	—	—	3,317
Redevelopment	153	255	42	—	450
Self Insurance	277,068	261,396	52,882	376	591,722
Garage	52,498	50,189	15,418	11	118,116
Solid Waste	359,196	599,614	98,223	2,543	1,059,576
Barrett Law	1,200	—	—	—	1,200
Parking	1,276	2,117	577	8	3,978
Total	<u>\$ 2,498,505</u>	<u>\$ 3,510,652</u>	<u>\$ 769,119</u>	<u>\$ 3,623</u>	<u>\$ 6,781,899</u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2021
(Continued)

Note 12. Interfund Capital Asset Transfers

The ten-year sewer capacity improvement program includes storm sewer construction funded through the Wastewater Utility or Stormwater Utility. New storm sewers allow old combined sewers to be converted to sanitary-only lines. As projects are completed, the new storm sewers are transferred from the Wastewater Utility to the Stormwater Utility and new sanitary sewers are transferred from Stormwater Utility to Wastewater Utility.

Note 13. Risk Management

The City of Fort Wayne, including FWCU, retains the risk of loss for claims related to employee health, on-the-job injury, auto, and general liabilities, while continuing to buy premium insurance for a number of other risks. The City of Fort Wayne has established internal service funds to finance these risks. Interfund premiums are billed monthly on a cost allocation basis most appropriate to the type of risk involved. An excess policy covers individual health insurance claims in excess of \$375,000 per year and the insurance company assumes the risk when total monthly claims exceed an amount based upon an aggregate monthly factor. An excess policy for workers compensation covers individual claims in excess of \$550,000 per employee per injury. The general and auto liability is limited by Indiana government tort liability limits of \$700,000 per occurrence and \$5,000,000 per aggregate. Liabilities are the responsibility of the City of Fort Wayne's internal service funds.

Note 14. Pension Plan - Public Employee's Retirement Fund

Plan Description:

FWCU contributes to Indiana's 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 regular full-time employees who are not covered by another plan are eligible to participate. State statutes (Indiana Code 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system and give FWCU 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.in.gov/inprs/or> or may be obtained by contacting Indiana Public Retirement System, One North Capitol Avenue, Suite 001, Indianapolis, IN 46204, Ph. (844) 464-6777.

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Notes to Financial Statements
December 31, 2021
(Continued)

Benefits Provided:

The PERF Hybrid Plan consists of the sum of a defined pension benefit provided by the FWCU 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 defined contribution 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.

Contributions:

The contribution requirements of the plan members and FWCU 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

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
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covered payroll, are sufficient to fund the pension benefits when they become due. A contribution of 3 percent of covered payroll is required into the defined contribution account. FWCU elected to make this contribution on behalf of their members in 2021. For 2021, FWCU is required to contribute at an actuarially determined rate of 11.2 percent of annual covered payroll. FWCU contribution to the plan for the year ending December 31, 2021 was \$2,544,476 and equaled the required contribution for the year.

Actuarial Assumptions:

The actuarial assumptions used in the June 30, 2021 valuation of the Public Employee’s Pension Fund were adopted by the INPRS Board in May 2021. 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% to 8.65%
Cost-of-living increases	0.4% to 0.6%

There were no changes to the actuarial assumptions from the prior year for mortality rates, disability, termination and retirement, as a result of the 2015-2019 Experience Study. The mortality tables used were the Pub-2010 Public Retirement Plans Mortality Tables with a fully generational projection of mortality improvements using SOA Scale MP-2019. Specific mortality variants and adjustments are used for different subpopulations.

A new set of economic assumptions were adopted, as a result of the Asset-Liability work completed in May 2021, which include the percentage decrease for the discount rate, inflation, salary increases and cost-of-living increases. The discount rate decreased from 6.75 percent to 6.25 percent, the inflation rate decreased from 2.25 percent to 2.0 percent, and the salary increases changed from 2.75 percent to 8.75 percent for 2020 to the range of 2.65 percent to 8.65 percent for 2021. The cost-of-living assumption of 0.4 percent for Fiscal Years 2022 and 2023 has been replaced by a 1.00% cost-of-living adjustment effective January 1, 2022. It is important to note that this change in plan provision for COLA does not change the assumption for future years. The demographic assumption based on the plan's 2015-2019 Experience Study, was used in the June 30, 2021 valuation report. The Average Annual Compensation was increased by \$200 for additional wages received upon termination, such as severance or unused sick leave, for active members. However, there were no changes in the benefit provisions, funding policy, or actuarial methods used in the prior year. The actuarial cost method used for computing the total pension liability is the Entry Age Normal - Level Percent of Payroll method.

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

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class, adding the projected inflation rate, and adding the expected return from re-balancing uncorrelated asset classes. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized below:

	Target Allocation (%)	Long Term Expected Real Rate of Return (%)
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	

Discount Rate:

The discount rate used to measure the total pension liability was 6.25 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 6.25 percent. Based on those assumptions, the 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/(asset) of FWCU calculated using the discount rate of 6.25 percent, as well as what the respective net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.25 percent) or 1-percentage point higher (7.25 percent) than the current rate:

	1% Decrease (5.25%)	Current Rate (6.25%)	1% Increase (7.25%)
Proportionate share of the net pension liability	\$ 14,262,342	\$ 5,453,136	\$ (1,894,907)

Pension Liabilities, Pension Expense (Income), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

As of December 31, 2021, FWCU reported a liability of \$5,453,136 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total

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pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The FWCU proportion of the net pension liability was based on wages reported by employers relative to the collective wages of the plan. At June 30, 2021, the FWCU proportion was 0.0041442, which was an increase of 0.0001229 from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, FWCU recognized pension income of \$(456,052), based on an actuarial valuation as of June 30, 2021. At December 31, 2021, FWCU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 186,513	\$ 108,883
Net difference between projected and actual investment earnings on pension plan investments	—	7,080,399
Changes of assumptions	2,742,963	1,224,877
Changes in proportion and differences between employer contributions and proportionate share of contributions	343,310	80,349
Employer contributions subsequent to the measurement date	1,271,878	—
Total	\$ 4,544,664	\$ 8,494,508

At December 31, 2021, FWCU reported \$1,271,878 as deferred outflows of resources related to pensions resulting from FWCU contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2022	\$ (1,388,014)
2023	(1,143,358)
2024	(666,431)
2025	(2,023,919)
2026	—
Thereafter	—
Total	\$ (5,221,722)

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.in.gov/inprs> or may be obtained by contacting Indiana Public Retirement System, One North Capitol Avenue, Suite 001, Indianapolis, IN 46204, Ph. (844) 464-6777.

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(Continued)

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 generally reported at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

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 generally reported at cost-based measures, which approximates fair value.

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.

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Notes to Financial Statements
December 31, 2021
(Continued)

Note 15. Other Post-Employment Benefits

Plan Description:

FWCU contributes to the Fort Wayne Retiree Healthcare Plan, a single-employer defined benefit healthcare plan administered by the City of Fort Wayne in an internal service fund. The plan is funded on a pay-as-you-go basis and provides health care benefits and life insurance to eligible retirees and their spouses. Stand-alone reports are not issued for this plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*.

Benefits Provided:

The plan provides comprehensive medical and dental benefits as well as life insurance to eligible retirees and their spouses receiving pension benefits under any of the City's pension plans, with a minimum of 20 years of service with the City. FWCU contributes a portion of the medical premium for all FWCU retirees. Coverage ends at Medicare eligibility date and spousal coverage continues after the death of the retiree, until the spouse is eligible for Medicare. The plan also maintains a \$10,000 life insurance policy on all retirees which meet the same eligibility guidelines. Indiana Code 5-10-8 assigns the authority to establish and amend benefit provisions, to the City of Fort Wayne.

Employees Covered by Benefit Terms:

The following members were covered by the terms of the plan as of December 31, 2021 using the latest employee census data. The plan's last valuation date was December 31, 2020 and roll-forward procedures were used to update the plan's OPEB liabilities for December 31, 2021.

Active plan members: fully eligible	38
Active plan members: not fully eligible	312
Inactive members currently receiving benefit payments	55
Inactive plan members entitled to but not yet receiving benefit payments	—
Total	405

Contributions:

The contribution requirements of plan members are established annually by Fort Wayne City Council. The required contribution is based on pay-as-you-go financing requirements. Eligible retirees and their spouses contribute an amount equal to the amount paid by active employees for premiums. Monthly premiums are as follows:

	Medical with Dental (by deductible)		Dental Only
Medical and Vision	\$3,400.00	\$1,200.00	
Retiree	\$ 35.00	\$ 69.00	\$ 12.00
Spouse	65.00	128.00	20.00

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
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(Continued)

FWCU contributes the remainder of the costs. For the year ended December 31, 2021, the FWCU contributed \$1,189,538 to the plan.

Total OPEB Liability:

FWCU total OPEB liability was measured as of December 31, 2021 for a total of \$16,677,728. Standard roll-forward procedures were used to project data forward one year to the December 31, 2021 measurement date. Also note the current portion of OPEB liability has been recognized and presented for the year ended December 31, 2021 in the amount equal to \$914,268.

Actuarial Methods and Assumptions:

FWCU total OPEB liability was determined by the actuarial valuation as of December 31, 2020 using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of December 31, 2021, unless otherwise specified:

Inflation rate	2.5%
Salary increases	2.5%
Discount rate	1.93%
Healthcare cost trend rates:	
Medical	9.0% first year, graded down to 5.0% over 11 years
Dental	4.0% per year

Mortality rates were based on the RP-2014 Total Data Set Mortality Table adjusted to 2006 base mortality year and then projected forward using the MP-2020 generational future mortality improvement scale.

The actuarial assumptions used in the December 31, 2020 valuation were rolled-forward to provide a measurement date of December 31, 2021. The assumptions presented above were the results of an actuarial experience study and are based on plan provisions, past plan experience, and the experience of similar plans.

Discount Rate:

The discount rate used to measure the total OPEB liability was 1.93 percent for 2021. There was no change in the discount rate used since the prior measurement date. This discount rate was applied to all periods of projected future benefit payments to determine the total OPEB liability. The discount rate used to measure the total OPEB liability is based on 20 year tax-exempt general obligation municipal bonds with a rating of AA/Aa or higher. The discount rate is based on the assumption that the general assets of FWCU will cover the benefits using a pay-as-you-go basis. These assets are a mix of short term, low risk bonds.

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Notes to Financial Statements
December 31, 2021
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Changes in Total OPEB Liability:

	Total OPEB Liability
Balance at December 31, 2020	\$ 16,893,206
Changes for the year:	
Service cost	647,013
Interest cost	327,578
Difference between expected and actual experience	(531)
Changes in assumption	—
Benefit payments	(1,189,538)
Net Changes	(215,478)
Balance at December 31, 2021	\$ 16,677,728

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:

The following represents the total OPEB liability of FWCU calculated using the discount rate of 1.93 percent as well as what the liability would be if it were calculated using a discount rate that is 1-percentage point lower (0.93%) or 1-percentage point higher (2.93%) than the current discount rate:

	1% Decrease (0.93%)	Current Discount Rate (1.93%)	1% Increase (2.93%)
Total OPEB Liability	\$ 18,261,916	\$ 16,677,728	\$ 15,248,525

Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rates:

The following represents the total OPEB liability of FWCU calculated using current healthcare cost trend rates as well as what the liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower and 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	\$ 15,064,932	\$ 16,677,728	\$ 18,587,535

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Notes to Financial Statements
December 31, 2021
(Continued)

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB:

For the year ended December 31, 2021, FWCU recognized the following OPEB expense:

Service cost	\$ 647,013
Interest cost	327,578
Difference between expected and actual experience	(388,980)
Changes in assumptions	492,474
Total OPEB expense	<u>\$ 1,078,085</u>

For the year ended December 31, 2021, FWCU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 511,042	\$ 3,124,018
Changes in assumptions	3,254,917	—
Total	<u>\$ 3,765,959</u>	<u>\$ 3,124,018</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the year ending December 31,	
2022	\$ 103,494
2023	103,494
2024	103,494
2025	103,494
2026	103,494
Thereafter	124,471
Total	<u>\$ 641,941</u>

Note 16. Commitments and Contingencies

Consent Decree:

The FWCU combined storm and sanitary sewer system does not comply with federal Clean Water regulations. After several years of negotiations with the Environmental Protection Agency (EPA) and Indiana Department of Environmental Management (IDEM), the EPA lodged a Consent Decree with the federal court on December 28, 2007. The Consent Decree became effective April 1, 2008. Under the terms and conditions of the Consent Decree, FWCU committed to reduce the number of CSO days in a typical year to one day on the St. Joseph River and four days on the St. Mary's and Maumee Rivers. The infrastructure cost to reduce the number of CSO events was estimated to be approximately \$240 million, concluding in 2025. FWCU also agreed to eliminate three known sanitary sewer overflows at an estimated combined cost of \$31 million by specific dates noted in the Consent Decree. Additionally, FWCU committed to maintain the entire sewer

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
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system to performance standards prescribed in the FWCU Long-Term Control Plan incorporated by reference into the Consent Decree. The Consent Decree further provides for stipulated penalties for failure to achieve specified construction milestones, reporting deadlines or maintenance objectives. FWCU is in full compliance with the Consent Decree's terms and conditions.

Aqua Agreement:

As part of an Asset Acquisition Agreement ("Agreement") executed December 4, 2014, FWCU shall pay \$2.75 per thousand gallons of sewage conveyed to Aqua Indiana, Inc., and a minimum of \$1,505,625 per year for each of the first five years after effective date. The effective date is the latest of the following dates: 1) the effective date of approval by the IURC, 2) The effective date of the approval by IDEM in a manner and upon discharge parameters that are consistent with the Preliminary National Pollutant Discharge Elimination System Standards, or 3) the date of the Purchased Assets Closing, as defined in the Agreement. The rate and minimum shall be adjusted by a consumer price index (CPI) escalator and will cover an additional five years. For years 11 through 15, the rate will escalate by a CPI escalator and the annual minimum shall be \$120,000 per year.

Other:

FWCU has entered into many contracts for various construction projects. Remaining contract payments as of December 31, 2021 for each utility are as follows:

Water Utility	\$ 26,176,274
Wastewater Utility	112,092,200
Stormwater Utility	<u>4,961,980</u>
	<u>\$ 143,230,454</u>

Major contracts awarded subsequent to December 31, 2021:

Board of Works Award Date	Vendor	Major Contract Project Description	Amount
<u>Water Utility</u>			
01/25/2022	Bercot, Inc.	Beacon Street Water Main Tap Installation	\$ 142,781
01/25/2022	Fox Contractors Corp.	Schwartz Road Water Main Extension	2,570,451
01/11/2022	Caldwell Tanks, Inc.	White Oak Tank	2,589,480
01/04/2022	Worldwide Industries, Corp.	Dupont Tank Painting	537,870
04/12/2022	Jutte Excavating	Plant 1 Weir Replacement East Side	142,000
03/15/2022	Wiss Janney Elstner	3Rfp - Main Entrance Tower Limestone Restoration	<u>142,000</u>
			<u>\$ 6,124,582</u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2021
(Continued)

Board of Works Award Date	Vendor	Major Contract Project Description	Amount
<u>Wastewater Utility</u>			
01/25/2022	Kreager Group	Amendment #2 - 3Rport Tunnel Spoils Recycling Services	\$ 130,000
01/25/2022	Ottenweller Contracting, LLC	Nebraska Pump Station Modifications And Consolidation	3,261,200
03/01/2022	Api Construction Corporation	Cso 55/Anthony And Wayne Relief Sewer	1,978,144
02/01/2022	Donohue & Associates, Inc.	Scada Migration - Work Package No. 1	109,250
02/01/2022	Flexware Innovation	Scada Migration - Work Package No. 1	223,805
			<u>\$ 5,702,399</u>
<u>Stormwater Utility</u>			
03/01/2022	Krafft Water Solutions, LLC	Heather Ridge And Aboite Center Rd Drainage Improvements	\$ 165,965
			<u>\$ 165,965</u>

Note 17. Subsequent Events

On April 12, 2022, the Common Council approved FWCU to finance the purchase of various vehicles and equipment items for a not to exceed gross amount of \$2,250,000 and authorized the acceptance of the Lessor, JPMorgan Chase Equipment Finance.

On May 10, 2022 FWCU issued Sewage Works Revenue Bonds of 2022 in the amount of \$25,000,000 under the provision of The City Special Ordinance Number S-30-20 from February 20, 2020 authorizing the City to issue Sewage Works Revenue Bonds in amount not to exceed \$310,000,000.

On May 24, 2022 the Common Council approved FWCU to enter into a Utility System Asset Acquisition Agreement with the Allen County Regional Water & Sewer District (District), to transfer the District's assets to FWCU for the purpose of managing, operating, maintaining and using those assets to provide sanitary sewer service to the territory currently served by the District. The Interlocal Cooperation Agreement authorizing FWCU to be the utility service provider for the territory becomes effective on scheduled closing date of July 8, 2022.

On May 24, 2022 the Common Council approved FWCU to issue sewage works revenue bonds or bond anticipation notes in aggregate amount not to exceed \$12,500,000 for the purpose of paying-off and satisfying the outstanding District bonds, in connection with the purchase and transfer of the District's Assets by FWCU.

FORT WAYNE CITY UTILITIES
Required Supplementary Information (unaudited)
December 31, 2021

Schedule of Proportionate Share of the Net Pension Liability:

	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.41 %	0.40 %	0.40 %	0.40 %	0.41 %	0.45 %	0.42 %	0.40 %
Proportionate share of the net pension liability	\$ 5,453,136	\$ 12,145,911	\$ 13,367,000	\$ 13,621,132	\$ 18,363,713	\$ 20,490,169	\$ 17,196,200	\$ 10,437,633
Covered payroll	\$ 22,848,626	\$ 21,709,554	\$ 21,071,663	\$ 20,459,753	\$ 20,419,990	\$ 21,637,668	\$ 20,223,082	\$ 19,391,743
Proportionate share of the net pension liability as a percentage of its covered payroll	23.87 %	55.95 %	63.44 %	66.58 %	89.93 %	94.70 %	85.03 %	53.83 %
Plan fiduciary net position as a percentage of the total pension liability	81.44 %	81.44 %	80.06 %	78.89 %	76.60 %	75.30 %	77.30 %	84.30 %

*GASB 68 requires that information be shown for 10 years. Until a full 10 year trend is compiled, information will be shown for those years for which the information is available.

Schedule of Contributions for Pension Plan:

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 2,544,476	\$ 2,442,892	\$ 2,361,409	\$ 2,297,316	\$ 2,269,585	\$ 2,647,487	\$ 2,163,471	\$ 2,196,819
Contributions in relation to the contractually required contributions	2,544,476	2,442,892	2,361,409	2,297,316	2,269,585	2,647,487	2,163,471	2,196,819
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ 22,718,537	\$ 21,811,536	\$ 21,084,009	\$ 20,511,750	\$ 20,264,152	\$ 23,638,268	\$ 19,316,705	\$ 19,614,455
Contributions as a percentage of covered payroll	11.2 %	11.2 %	11.2 %	11.2 %	11.2 %	11.2 %	11.2 %	11.2 %

*GASB 68 requires that information be shown for 10 years. Until a full 10 year trend is compiled, information will be shown for those years for which the information is available.

The notes to the RSI is an integral part of the RSI.

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Required Supplementary Information (unaudited)
December 31, 2021

Schedule of Changes in Total OPEB Liability:

	2021	2020	2019	2018
Service cost	\$ 647,013	\$ 495,334	\$ 417,624	\$ 587,943
Interest	327,578	543,202	630,123	887,104
Difference between expected and actual experience	(531)	(2,517,874)	(1,745,425)	—
Changes in assumptions	—	2,203,003	54,393	—
Benefit payments	(1,189,538)	(586,501)	(728,202)	(966,259)
Total change in total OPEB liability	(215,478)	137,164	(1,371,487)	508,788
Total OPEB liability - beginning	16,893,206	16,756,042	18,127,529	17,618,741
Total OPEB liability - ending	<u>\$ 16,677,728</u>	<u>\$ 16,893,206</u>	<u>\$16,756,042</u>	<u>\$18,127,529</u>
Covered-employee payroll	\$ 22,798,509	\$ 22,242,448	\$21,422,072	\$16,268,631
Total OPEB liability as a percentage of covered-employee payroll	73.15 %	75.95 %	78.22 %	111.43 %

*GASB 75 requires that information be shown for 10 years. Until a full 10 year trend is compiled, information will be shown for those years for which the information is available.

The notes to the RSI is an integral part of the RSI.

FORT WAYNE CITY UTILITIES
Notes to Required Supplementary Information (unaudited)
December 31, 2021

Note 1. Financial Reporting - Pension Plans - Changes in Assumptions

For the Public Employees Retirement Fund, in 2021, there was no change from the use of the Pub-2010 Public Retirement Plans Mortality Tables with a fully generational projection of mortality improvements using SOA Scale MP-2019. Specific mortality variants and adjustments are used for different subpopulations.

New economic assumptions were used for the June 31, 2021 valuation report. The discount rate decreased from 6.75 percent to 6.25 percent, the inflation rate decreased from 2.25 percent to two percent, and the salary increases changed from 2.75 percent to 8.75 percent for 2020 to a range of 2.65 percent to 8.65 percent for 2021. The cost-of-living assumption of 0.4 percent for fiscal years 2022 and 2023 has been replaced by a one percent cost-of-living adjustment effective January 1, 2022.

Note 2. Financial Reporting - OPEB - Changes in Assumptions

For the Fort Wayne Retiree Healthcare Plan, in 2021, the discount rate of 1.93 percent remained the same as the prior year. For 2020, the discount rate changed from 3.26 percent at the beginning of the measurement period to 1.93 percent at the end of the measurement period. For 2019, the discount rate changed from 3.50 percent at the beginning of the measurement period to 3.26 percent at the end of the measurement period.