
Fort Wayne City Utilities

A Regional Utility

Owned by

City of Fort Wayne, Indiana



CITY UTILITIES

WATER THAT WORKS

Financial Statements

December 31, 2023

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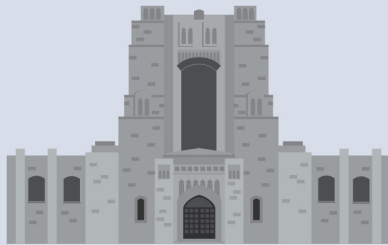
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Facts & Figures

Three Rivers Filtration Plant

Built **1931-1933**

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



Capacity **72** MGD

Average Demand
35.4 MGD



IWEA
Excellence in
Safety Award
Winner

3,706 gallons

average monthly
residential sewer
consumption

\$140.8 million

the amount of investment
in construction
projects



5 scholarships
awarded to
City Utilities interns

643 volunteers
cleaned and marked
6,826 storm drains



1,076
new water
customers

337
employees



Miles of pipe

1,460
water

1,606
sewer



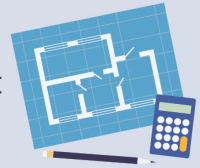
723
stormwater



Winner of the **Best Tasting Water in Indiana** from the **Alliance of Indiana Rural Water** for a second year in a row

1,085 projects

reviewed by
Development
Services



Paul L. Brunner Water Pollution Control Plant

Built **1938-1940**

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



Capacity **100** MGD

Average Demand
45.5 MGD

IWEA
Laboratory
Excellence
Award Winner



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 Utilities (Utilities), a division of the City of Fort Wayne, Indiana (City), as of and for the year ended December 31, 2023, 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, 2023, 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 (*Government Auditing Standards*). 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 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, 2023, the changes in its financial position, 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.

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.

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 and 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 do 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 26, 2024, on our consideration of the 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 Mazars, LLP

**Fort Wayne, Indiana
June 26, 2024**

FORT WAYNE CITY UTILITIES
Management's Discussion and Analysis (unaudited)
For the Year Ended December 31, 2023

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 ended December 31, 2023. 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 the end of the 2023 and 2022 fiscal years (hereinafter "2023" and "2022") by \$923 million and \$839.3 million, respectively.
- The FWCU net position increased in 2023 and 2022 by \$83.7 million and \$59.2 million, respectively.
- FWCU added new bonded debt and long-term loans payable during 2023 and 2022 of \$37.8 million and \$45.5 million, respectively. The 2023 increase in debt consists of three new long-term State Revolving Fund (SRF) loans, additional draws against existing SRF loans and new commercial loans. The 2022 increase in debt is mainly due to issuance of new bond and new long-term loans and additional draws against SRF loans.

In 2023, the Water and Wastewater Utilities each issued new SRF loans. The Water Utility issued two draw-down loans at zero percent interest and a Wastewater Utility advance loan at 2.58 percent interest.

In 2022, the Wastewater Utility issued new Sewage Works Revenue Bonds at fixed interest rates ranging from 0.05 percent to five percent and one SRF loan at zero percent interest.

- The 2023 and 2022 net investment in capital assets increased by approximately \$76.9 million and \$44.2 million. Significantly, FWCU continues to meet all milestones required by its 2008 Federal Consent Decree.
- During 2023, FWCU adopted Governmental Accounting Standard Board Statement No. 96, *Subscription Based Information Technology Arrangements*. As of December 31, 2023, there were no reportable items under this standard.

Overview of the Financial Statements

This discussion and analysis is an introduction to the FWCU basic financial statements. FWCU is a division of the City of Fort Wayne and reports as a business-type activity. When an entity charges a fee to cover the entire cost of its operation, these services are classified as a

FORT WAYNE CITY UTILITIES
Management's Discussion and Analysis (unaudited)
For the Year Ended December 31, 2023
(Continued)

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, yard waste and ancillary 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, | | 2023 – 2022 | |
| | 2023 | 2022 | Amount | Percent |
| Net capital assets | \$ 1,524.6 | \$ 1,412.9 | \$ 111.7 | 7.9 % |
| Other assets | 345.8 | 388.4 | (42.6) | (11.0)% |
| Total assets | <u>\$ 1,870.4</u> | <u>\$ 1,801.3</u> | <u>\$ 69.1</u> | <u>3.8 %</u> |
| Deferred Outflows of Resources | <u>\$ 8.5</u> | <u>\$ 8.8</u> | <u>\$ (0.3)</u> | <u>(3.4)%</u> |
| Other liabilities | 104.3 | 102.6 | 1.7 | 1.7 % |
| Long term liabilities | 845.9 | 861.6 | (15.7) | (1.8)% |
| Total liabilities | <u>\$ 950.2</u> | <u>\$ 964.2</u> | <u>\$ (14.0)</u> | <u>(1.5)%</u> |
| Deferred Inflows of Resources | <u>\$ 5.7</u> | <u>\$ 6.6</u> | <u>\$ (0.9)</u> | <u>(13.6)%</u> |
| Total net position | <u>\$ 923.0</u> | <u>\$ 839.3</u> | <u>\$ 83.7</u> | <u>10.0 %</u> |
| Net investment in capital assets | 760.8 | 683.9 | 76.9 | 11.2 % |
| Restricted | 91.8 | 85.6 | 6.2 | 7.2 % |
| Unrestricted | 70.4 | 69.8 | 0.6 | 0.9 % |
| Total net position | <u>\$ 923.0</u> | <u>\$ 839.3</u> | <u>\$ 83.7</u> | <u>10.0 %</u> |

FORT WAYNE CITY UTILITIES
Management's Discussion and Analysis (unaudited)
For the Year Ended December 31, 2023
(Continued)

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

| | Year Ended | | Variance | |
|--|------------------------|------------------------|-----------------------|----------------------|
| | December 31, | | 2023 – 2022 | |
| | 2023 | 2022 | Amount | Percent |
| Operating revenues: | | | | |
| Water service revenues | \$ 64.5 | \$ 61.7 | \$ 2.8 | 4.5 % |
| Wastewater services revenues | 106.8 | 103.2 | 3.6 | 3.5 % |
| Stormwater service revenues | 14.9 | 15.1 | (0.2) | (1.3)% |
| Yard Waste revenues | 0.5 | 0.5 | — | — % |
| Total operating revenues | <u>186.7</u> | <u>180.5</u> | <u>6.2</u> | <u>3.4 %</u> |
| Operating expenses: | | | | |
| Water operations | 42.3 | 40.2 | 2.1 | 5.2 % |
| Wastewater operations | 51.9 | 51.5 | 0.4 | 0.8 % |
| Stormwater operations | 8.6 | 8.0 | 0.6 | 7.5 % |
| Yard Waste operations | 0.2 | 0.2 | — | — % |
| Total operating expenses | <u>103.0</u> | <u>99.9</u> | <u>3.1</u> | <u>3.1 %</u> |
| Operating Income | <u>83.7</u> | <u>80.6</u> | <u>3.1</u> | <u>3.8 %</u> |
| Net nonoperating revenues (expenses) | <u>(10.3)</u> | <u>(21.2)</u> | <u>10.9</u> | <u>(51.4)%</u> |
| Income before capital contributions and transfers out | 73.4 | 59.4 | 14.0 | 23.6 % |
| Capital contributions | 22.9 | 10.7 | 12.2 | 114.0 % |
| Net transfers out | (12.6) | (10.3) | (2.3) | 22.3 % |
| Special Item - net position of transferred ACRWSD operations | <u>—</u> | <u>(0.6)</u> | <u>0.6</u> | <u>(100.0)%</u> |
| Change in net position | <u>83.7</u> | <u>59.2</u> | <u>24.5</u> | <u>41.4 %</u> |
| Net position - beginning of year | <u>839.3</u> | <u>780.1</u> | <u>59.2</u> | <u>7.6 %</u> |
| Net position - end of year | <u><u>\$ 923.0</u></u> | <u><u>\$ 839.3</u></u> | <u><u>\$ 83.7</u></u> | <u><u>10.0 %</u></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 \$923.0 million and \$839.3 million as of 2023 and 2022 year-ends, respectively. The largest portion (\$760.83 million or 82.4 percent) of the FWCU net position in 2023 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 (\$91.8 million, or 9.9 percent) represents resources that are subject to external restrictions on how they may be used.

Operating revenues increased \$6.2 million (3.4 percent) across utilities mainly due to approved scheduled rate increases. In turn, operating expenses increased \$3.1 million (3.1 percent) primarily due to increase in chemicals and energy prices.

FORT WAYNE CITY UTILITIES
Management's Discussion and Analysis (unaudited)
For the Year Ended December 31, 2023
(Continued)

Capital Assets and Capital Improvement Program

The FWCU capital assets in service total \$1,572.0 million with an accumulated depreciation of \$555.0 million for a net book value of \$1,017.0 million. The statement of net position also includes \$507.4 million in construction in progress reflecting capital projects in various stages of completion. During 2023, approximately \$145.4 million was invested in capital projects (see Note 6).

Debt

As more fully detailed in Note 10, at December 31, 2023, FWCU had approximately \$872.0 million in bonds and loans payable, a net decrease of \$14.4 million over last year.

The 2023 net decrease of \$14.4 million in debt is simply due to a lower level of debt issuance, compared to prior years, netted with the scheduled payments against the existing bonds and loans.

FWCU paid principal of \$51.6 million and \$52.0 million in 2023 and 2022, 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 2017 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 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 million (denominated in 2005 dollars) in infrastructure solutions over the 18-year period from 2008 through 2025. This 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 river is now considered to be in compliance with the Consent Decree. The Consent Decree further provides for stipulated penalties for failure to achieve specified construction milestones, reporting deadlines or

FORT WAYNE CITY UTILITIES
Management's Discussion and Analysis (unaudited)
For the Year Ended December 31, 2023
(Continued)

maintenance objectives. FWCU is in full compliance with the 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 complete. The cost for the tunnel is estimated at \$220 million. Additional sewers are being 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 \$68 million to line approximately 218.4 miles of pipe. The annual pipe enhancement rate since 2008 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 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, the 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.

In accordance with the goals of this rate plan, FWCU is near completion of the implementation of Advanced Metering Infrastructure (AMI) to provide remote collection of water meter reads

FORT WAYNE CITY UTILITIES
Management's Discussion and Analysis (unaudited)
For the Year Ended December 31, 2023
(Continued)

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 residents, 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, 2023

| | Water | Wastewater | Stormwater | Electric | Yard Waste | Enterprise | Total |
|---|-----------------------|-------------------------|-----------------------|------------------|---------------------|------------------|-------------------------|
| ASSETS | | | | | | | |
| CURRENT ASSETS: | | | | | | | |
| Cash and cash equivalents | \$ 25,406,683 | \$ 31,706,970 | \$ 20,864,161 | \$ — | \$ 1,996,211 | \$ 29,876 | \$ 80,003,901 |
| Receivables: | | | | | | | |
| Customers, net of allowance for doubtful accounts of \$37,206 | 6,860,826 | 12,190,345 | 1,650,194 | — | 49,826 | 2,908 | 20,754,099 |
| Installments receivable, current portion | 2,483 | — | — | — | — | — | 2,483 |
| Assessments receivable, current portion | — | 4,379 | — | — | — | — | 4,379 |
| Interest receivable | 359,964 | 768,821 | 202,578 | — | 16,885 | — | 1,348,248 |
| Due from City of Fort Wayne | 221,882 | 383,542 | 56,971 | — | 1,833 | — | 664,228 |
| Materials and supplies | 1,449,024 | 898,810 | — | — | — | — | 2,347,834 |
| Prepaid expenses | 354,387 | 524,063 | 26,373 | — | 864 | — | 905,687 |
| Total current assets | <u>34,655,249</u> | <u>46,476,930</u> | <u>22,800,277</u> | <u>—</u> | <u>2,065,619</u> | <u>32,784</u> | <u>106,030,859</u> |
| NONCURRENT ASSETS: | | | | | | | |
| Restricted cash and cash equivalents | 35,154,123 | 132,432,908 | 519,810 | — | — | — | 168,106,841 |
| Restricted investments | 14,500,000 | 48,679,101 | 3,000,000 | — | — | — | 66,179,101 |
| Leases receivable | 1,105,904 | — | — | — | — | — | 1,105,904 |
| Regulatory assets | 1,598,178 | 1,978,344 | 183,292 | — | — | — | 3,759,814 |
| Installments receivable | 184,579 | 2,335 | — | — | — | — | 186,914 |
| Assessments receivable | — | 475,944 | — | — | — | — | 475,944 |
| Capital assets: | | | | | | | |
| Land | 6,141,245 | 4,542,711 | 6,501,128 | 75,732 | — | — | 17,260,816 |
| Distribution and collection | 275,803,761 | 447,189,794 | 205,960,420 | — | — | — | 928,953,975 |
| Buildings and improvements | 93,031,704 | 227,189,017 | 3,630,169 | 1,121,198 | 68,777 | — | 325,040,865 |
| Equipment and other | 142,289,989 | 151,684,935 | 6,569,558 | 342,787 | 9,556 | — | 300,896,825 |
| Less: Accumulated depreciation | (214,021,949) | (281,005,286) | (58,429,128) | (1,463,985) | (75,276) | — | (554,995,624) |
| Plus: Construction in progress | 62,365,347 | 432,041,069 | 13,023,744 | — | 8,223 | — | 507,438,383 |
| Net capital assets | <u>365,610,097</u> | <u>981,642,240</u> | <u>177,255,891</u> | <u>75,732</u> | <u>11,280</u> | <u>—</u> | <u>1,524,595,240</u> |
| Total noncurrent assets | <u>418,152,881</u> | <u>1,165,210,872</u> | <u>180,958,993</u> | <u>75,732</u> | <u>11,280</u> | <u>—</u> | <u>1,764,409,758</u> |
| Total assets | <u>\$ 452,808,130</u> | <u>\$ 1,211,687,802</u> | <u>\$ 203,759,270</u> | <u>\$ 75,732</u> | <u>\$ 2,076,899</u> | <u>\$ 32,784</u> | <u>\$ 1,870,440,617</u> |
| DEFERRED OUTFLOWS OF RESOURCES (Note 7): | <u>\$ 2,796,775</u> | <u>\$ 4,666,769</u> | <u>\$ 1,020,315</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 8,483,859</u> |

LIABILITIES

CURRENT LIABILITIES:

| | | | | | | | |
|---|-------------------|-------------------|------------------|----------|---------------|--------------|--------------------|
| Accounts payable | \$ 935,354 | \$ 956,961 | \$ 85,973 | \$ — | \$ 2,304 | \$ — | \$ 1,980,592 |
| Contracts payable | 5,191,051 | 18,211,507 | 903,640 | — | 18,183 | 1,600 | 24,325,981 |
| Retainage payable | 571,881 | 783,702 | 169,302 | — | — | — | 1,524,885 |
| Wages and withholdings payable | 667,193 | 843,595 | 160,671 | — | 1,797 | — | 1,673,256 |
| Due to City of Fort Wayne | 2,955,034 | 4,466,724 | 803,894 | — | 5,208 | — | 8,230,860 |
| Compensated absences payable, current portion | 717,760 | 1,080,892 | 160,556 | — | 3,912 | — | 1,963,120 |
| Other current liabilities | 294,835 | 361,475 | 4,966 | — | — | — | 661,276 |
| Accrued interest payable | 403,390 | 7,352,209 | 204,957 | — | — | — | 7,960,556 |
| Bonds payable, current portion | 6,640,000 | 17,510,000 | 1,640,000 | — | — | — | 25,790,000 |
| Loans payable, current portion | 5,370,136 | 21,667,245 | 359,474 | — | — | — | 27,396,855 |
| Total OPEB liability, current portion | 379,633 | 621,919 | 100,751 | — | — | — | 1,102,303 |
| Unearned revenue | 4,252 | — | — | — | — | — | 4,252 |
| Customer deposits | 1,678,114 | — | — | — | — | — | 1,678,114 |
| Total current liabilities | <u>25,808,633</u> | <u>73,856,229</u> | <u>4,594,184</u> | <u>—</u> | <u>31,404</u> | <u>1,600</u> | <u>104,292,050</u> |

NONCURRENT LIABILITIES:

| | | | | | | | |
|---|-----------------------|-----------------------|----------------------|-------------|------------------|-----------------|-----------------------|
| Bonds payable, net of unamortized bond discount/ premium | 79,308,619 | 127,663,758 | 16,163,970 | — | — | — | 223,136,347 |
| Loans payable | 79,874,590 | 514,920,938 | 898,598 | — | — | — | 595,694,126 |
| Compensated absences payable | 105,442 | 198,842 | 16,602 | — | 544 | — | 321,430 |
| Net pension liability | 4,435,208 | 6,418,125 | 2,407,081 | — | — | — | 13,260,414 |
| Total OPEB liability | 4,396,242 | 6,414,047 | 2,673,070 | — | — | — | 13,483,359 |
| Total noncurrent liabilities | <u>168,120,101</u> | <u>655,615,710</u> | <u>22,159,321</u> | <u>—</u> | <u>544</u> | <u>—</u> | <u>845,895,676</u> |
| Total liabilities | <u>\$ 193,928,734</u> | <u>\$ 729,471,939</u> | <u>\$ 26,753,505</u> | <u>\$ —</u> | <u>\$ 31,948</u> | <u>\$ 1,600</u> | <u>\$ 950,187,726</u> |

DEFERRED INFLOWS OF RESOURCES (Note 8):

| | | | | | | | |
|--|---------------------|---------------------|-------------------|-------------|-------------|-------------|---------------------|
| | <u>\$ 2,612,025</u> | <u>\$ 2,343,998</u> | <u>\$ 758,235</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 5,714,258</u> |
|--|---------------------|---------------------|-------------------|-------------|-------------|-------------|---------------------|

NET POSITION:

| | | | | | | | |
|---|-----------------------|-------------------------|-----------------------|------------------|---------------------|------------------|-------------------------|
| Net investment in capital assets | \$ 216,980,721 | \$ 386,085,926 | \$ 157,681,017 | \$ 75,732 | \$ 11,153 | \$ — | \$ 760,834,549 |
| Restricted | | | | | | | |
| For debt service | 15,839,454 | 66,953,628 | 2,874,218 | — | — | — | 85,667,300 |
| For capital projects | 3,861,686 | 2,273,730 | — | — | — | — | 6,135,416 |
| Unrestricted | 22,382,285 | 29,225,350 | 16,712,610 | — | 2,033,798 | 31,184 | 70,385,227 |
| Total net position | <u>\$ 259,064,146</u> | <u>\$ 484,538,634</u> | <u>\$ 177,267,845</u> | <u>\$ 75,732</u> | <u>\$ 2,044,951</u> | <u>\$ 31,184</u> | <u>\$ 923,022,492</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 455,604,905</u> | <u>\$ 1,216,354,571</u> | <u>\$ 204,779,585</u> | <u>\$ 75,732</u> | <u>\$ 2,076,899</u> | <u>\$ 32,784</u> | <u>\$ 1,878,924,476</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, 2023

| | Water | Wastewater | Stormwater | Electric | Yard Waste | Enterprise | Total |
|---|----------------|----------------|----------------|-----------|--------------|------------|----------------|
| OPERATING REVENUES: | | | | | | | |
| Charges for goods and services | \$ 64,549,152 | \$ 106,800,707 | \$ 14,827,540 | \$ — | \$ 525,979 | \$ 37,012 | \$ 186,740,390 |
| OPERATING EXPENSES: | | | | | | | |
| Personnel services | 9,816,605 | 10,036,577 | 2,239,934 | — | — | — | 22,093,116 |
| Contractual services | 1,852,372 | 4,035,439 | 479,581 | — | 101,080 | 6,400 | 6,474,872 |
| Utilities | 2,288,793 | 2,200,297 | 71,509 | — | 7,069 | — | 4,567,668 |
| Chemicals | 7,062,637 | 1,890,394 | 855 | — | — | — | 8,953,886 |
| Administrative services | 7,179,182 | 11,761,017 | 1,844,824 | — | 60,452 | — | 20,845,475 |
| Other supplies/services | 3,469,969 | 3,628,389 | 388,821 | — | — | — | 7,487,179 |
| Depreciation | 10,680,132 | 18,358,949 | 3,586,299 | — | 1,018 | — | 32,626,398 |
| Total operating expenses | 42,349,690 | 51,911,062 | 8,611,823 | — | 169,619 | 6,400 | 103,048,594 |
| Operating income | 22,199,462 | 54,889,645 | 6,215,717 | — | 356,360 | 30,612 | 83,691,796 |
| NONOPERATING REVENUES (EXPENSES): | | | | | | | |
| Investment income | 3,432,284 | 9,371,243 | 931,904 | — | 67,316 | 572 | 13,803,319 |
| Leases and installments interest income | 50,496 | 18,899 | — | — | — | — | 69,395 |
| Interest expense | (4,910,615) | (17,512,201) | (486,228) | — | — | — | (22,909,044) |
| Amortization of regulatory assets | (237,650) | (284,988) | (35,633) | — | — | — | (558,271) |
| Loss on disposal of assets | (263,078) | (443,393) | (4,395) | — | (144) | — | (711,010) |
| Total nonoperating revenues (expenses) | (1,928,563) | (8,850,440) | 405,648 | — | 67,172 | 572 | (10,305,611) |
| Income before capital contributions and transfers | 20,270,899 | 46,039,205 | 6,621,365 | — | 423,532 | 31,184 | 73,386,185 |
| Capital contributions | 7,844,302 | 10,478,132 | 4,553,944 | — | — | — | 22,876,378 |
| Transfers in | 76,837 | 282,731 | — | — | — | — | 359,568 |
| Transfers out | (3,693,586) | (7,799,373) | (1,443,432) | — | (241) | — | (12,936,632) |
| Change in net position | 24,498,452 | 49,000,695 | 9,731,877 | — | 423,291 | 31,184 | 83,685,499 |
| Total net position, beginning of year | 234,565,694 | 435,537,939 | 167,535,968 | 75,732 | 1,621,660 | — | 839,336,993 |
| Total net position, end of year | \$ 259,064,146 | \$ 484,538,634 | \$ 177,267,845 | \$ 75,732 | \$ 2,044,951 | \$ 31,184 | \$ 923,022,492 |

See accompanying notes to the financial statements.

FORT WAYNE CITY UTILITIES
Statement of Cash Flows
For the Year Ended December 31, 2023

| | Water | Wastewater | Stormwater | Electric | Yard Waste | Enterprise | Total |
|---|----------------------|-----------------------|----------------------|-------------|---------------------|------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | | |
| Receipts from customers and others | \$ 65,426,836 | \$ 107,166,973 | \$ 15,091,448 | \$ — | \$ 522,736 | \$ 34,104 | \$ 188,242,097 |
| Payments to suppliers | (21,631,884) | (23,373,492) | (2,697,666) | — | (155,553) | (4,800) | (47,863,395) |
| Payments to employees | (9,847,640) | (9,580,025) | (2,198,819) | — | — | — | (21,626,484) |
| Net cash provided by operating activities | <u>33,947,312</u> | <u>74,213,456</u> | <u>10,194,963</u> | <u>—</u> | <u>367,183</u> | <u>29,304</u> | <u>118,752,218</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | | | | |
| Transfers, net | <u>(3,642,744)</u> | <u>(7,718,248)</u> | <u>(1,216,072)</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>(12,577,064)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | |
| Acquisition and construction of capital assets | (24,586,092) | (91,623,493) | (8,557,118) | — | (1,466) | (163) | (124,768,332) |
| Proceeds from long-term debt | 1,808,513 | 36,016,000 | — | — | — | — | 37,824,513 |
| Interest paid on long-term debt | (5,003,648) | (17,992,664) | (533,847) | — | — | — | (23,530,159) |
| Acquisition of regulatory assets | (222,521) | (118,492) | — | — | — | — | (341,013) |
| Principal paid on long-term debt | (11,449,799) | (38,200,581) | (1,980,740) | — | — | — | (51,631,120) |
| Proceeds from sales of assets | 241,188 | 103,799 | 578 | — | 19 | 163 | 345,747 |
| Contribution in aid of construction | 2,310 | 103,743 | 767,500 | — | — | — | 873,553 |
| Net cash used by capital and related financing activities | <u>(39,210,049)</u> | <u>(111,711,688)</u> | <u>(10,303,627)</u> | <u>—</u> | <u>(1,447)</u> | <u>—</u> | <u>(161,226,811)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | | | |
| Purchase of investments | (29,949,768) | (33,737,900) | (3,000,000) | — | — | — | (66,687,668) |
| Sale of investments | 28,948,554 | 58,559,575 | 3,080,050 | — | — | — | 90,588,179 |
| Investment income received | 3,380,294 | 9,425,436 | 910,296 | — | 56,868 | 572 | 13,773,466 |
| Net cash provided by investing activities | <u>2,379,080</u> | <u>34,247,111</u> | <u>990,346</u> | <u>—</u> | <u>56,868</u> | <u>572</u> | <u>37,673,977</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (6,526,401) | (10,969,369) | (334,390) | — | 422,604 | 29,876 | (17,377,680) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 67,087,207 | 175,109,247 | 21,718,361 | — | 1,573,607 | — | 265,488,422 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 60,560,806</u> | <u>\$ 164,139,878</u> | <u>\$ 21,383,971</u> | <u>\$ —</u> | <u>\$ 1,996,211</u> | <u>\$ 29,876</u> | <u>\$ 248,110,742</u> |

(Continued)

FORT WAYNE CITY UTILITIES
Statement of Cash Flows
For the Year Ended December 31, 2023
(Continued)

| | Water | Wastewater | Stormwater | Electric | Yard Waste | Enterprise | Total |
|---|----------------------|----------------------|----------------------|-------------|-------------------|------------------|-----------------------|
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | | | | | | |
| Operating income | \$ 22,199,462 | \$ 54,889,645 | \$ 6,215,717 | \$ — | \$ 356,360 | \$ 30,612 | \$ 83,691,796 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | | | | | |
| Depreciation | 10,680,132 | 18,358,949 | 3,586,299 | — | 1,018 | — | 32,626,398 |
| Provision for doubtful accounts | 865 | (14,705) | 203 | — | — | — | (13,637) |
| Changes in assets, liabilities, and deferred outflows and inflows of resources: | | | | | | | |
| Receivables | 872,567 | 380,971 | 263,705 | — | (3,243) | (2,908) | 1,511,092 |
| Unearned revenue | 4,252 | — | — | — | — | — | 4,252 |
| Other assets | 110,294 | (494,168) | 25,483 | — | 738 | — | (357,653) |
| Accounts payable | 110,775 | 636,212 | 62,441 | — | 12,310 | 1,600 | 823,338 |
| Other liabilities | 60,023 | 539,833 | 48,748 | — | — | — | 648,604 |
| Deferred outflows - Pension | (144,748) | (229,053) | (31,248) | — | — | — | (405,049) |
| Deferred outflows - OPEB | 198,273 | 324,813 | 52,619 | — | — | — | 575,705 |
| Net pension liability | 134,078 | 219,649 | 35,583 | — | — | — | 389,310 |
| Total OPEB liability | 29,605 | 48,500 | 7,857 | — | — | — | 85,962 |
| Deferred inflows - Pension | (37,450) | (61,351) | (9,938) | — | — | — | (108,739) |
| Deferred inflows - OPEB | (235,524) | (385,839) | (62,506) | — | — | — | (683,869) |
| Deferred inflows - Leases receivable | (35,292) | — | — | — | — | — | (35,292) |
| Net cash provided by operating activities | <u>\$ 33,947,312</u> | <u>\$ 74,213,456</u> | <u>\$ 10,194,963</u> | <u>\$ —</u> | <u>\$ 367,183</u> | <u>\$ 29,304</u> | <u>\$ 118,752,218</u> |
| NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES: | | | | | | | |
| Capital assets acquired through accounts payable | \$ 5,307,510 | \$ 18,402,731 | \$ 953,467 | \$ — | \$ 127 | \$ — | \$ 24,663,835 |
| Capital asset contribution | 7,841,992 | 5,374,389 | 3,786,444 | — | — | — | 17,002,825 |
| Interfund capital asset transfers | 25,995 | 201,606 | (227,360) | — | (241) | — | — |
| Amortization of bond premium | 120,531 | 445,152 | 32,408 | — | — | — | 598,091 |
| Amortization of deferred outflows of resources - Debt refunding loss | — | 75,381 | — | — | — | — | 75,381 |

See accompanying notes to the financial statements.

FORT WAYNE CITY UTILITIES

Notes to Financial Statements

December 31, 2023

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 financial position of the City of Fort Wayne, Indiana and the results of its operations and cash flows of its enterprise funds. FWCU consists of Water, Wastewater, Stormwater, Electric Utilities, the Yard Waste Facility, and the ancillary services Enterprise Fund. All six 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 and expenses 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, 2023
(Continued)

Payments are considered delinquent if not received on or before the due date, and a ten percent 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.

Lease Assets:

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

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.

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2023
(Continued)

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 | – | – |

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, Yard Waste and Enterprise 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.

Lease Receivables:

As lessor, FWCU initially measure its lease receivable at the present value of lease payments expected to be received during the lease term, reduced by any provision of uncollectible amounts.

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

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2023
(Continued)

hours of sick time per calendar year. Sick time will be prorated 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 purchase of group health insurance. The maximum payment per employee cannot exceed \$25,000.

Classification of Revenues:

FWCU has classified its revenues 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 reports 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 re-acquisition 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 15 and Note 16, respectively. The breakdown by category of deferred outflows of resources for each utility is outlined in Note 7.

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2023
(Continued)

Deferred Inflows of Resources:

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement section element, deferred inflows of resources, represents an acquisition of net assets that applies to future periods and, therefore, will not be recognized as an inflow of resources (revenue) until then. At this time, the items that qualify for reporting in this category are related to the deferred inflows related to pension, deferred inflows related to OPEB and deferred inflows related to leases receivable. For further information see Note 15 and Note 16, respectively. The breakdown by category of deferred inflows of resources for each utility is outlined in Note 8.

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 5-13. As of December 31, 2023, FWCU has the following investments:

| Investment Type | Investment Maturity | | Total |
|----------------------------|---------------------|------------------------|---------------|
| | Less Than 1 Year | Greater Than 1 Year | |
| Certificates of Deposit | \$ 51,237,900 | \$ — | \$ 51,237,900 |
| U.S. Government Securities | 14,941,201 | — | 14,941,201 |
| Total | \$ 66,179,101 | \$ — | \$ 66,179,101 |

Investments are presented in the Statement of Net position as follows at December 31, 2023:

| | Water Utility | Wastewater Utility | Stormwater Utility | Electric Utility | Yard Waste Utility | Total |
|--|------------------|-----------------------|-----------------------|---------------------|-----------------------|---------------|
| Restricted investments (See Note 3) | \$ 14,500,000 | \$ 48,679,101 | \$ 3,000,000 | \$ — | \$ — | \$ 66,179,101 |

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

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2023
(Continued)

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 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.

Investment Custodial Credit Risk:

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. FWCU does not have a formal investment policy for custodial credit risk for investments that are 1) uninsured and uncollateralized, 2) collateralized with securities held by the pledging financial institution, or 3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. FWCU must follow state statute and limit the stated final maturities of the investments to no more than five years. FWCU does not have a formal investment policy for interest rate risk.

Credit Risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. FWCU does not have a formal investment policy in regards to credit risk for investments.

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single user. FWCU does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

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Notes to Financial Statements
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Disclosure About Fair Value of Financial Investments:

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that FWCU has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuations methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques need to maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Investment value is determined by reference to quoted market prices and other relevant information generated by market transactions.

The following table summarizes the valuation of investments by the fair value hierarchy levels as of December 31, 2023:

| <u>Investments by Fair Value Level</u> | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> |
|--|----------------------|----------------------|----------------------|
| Certificates of Deposit | \$ 51,237,900 | \$ — | \$ 51,237,900 |
| U.S. Government Securities | 15,502,528 | 15,502,528 | — |
| Total | <u>\$ 66,740,428</u> | <u>\$ 15,502,528</u> | <u>\$ 51,237,900</u> |

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
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Note 3. Restricted Assets

Restricted assets consisted of the following at December 31, 2023:

| | Water Utility | Wastewater Utility | Stormwater Utility | Total |
|--|----------------------|-----------------------|-----------------------|-----------------------|
| Cash and cash equivalents: | | | | |
| Sinking fund | \$ 1,339,859 | \$ 23,203,412 | \$ 79,175 | \$ 24,622,446 |
| Debt service reserve | 5,216,491 | 34,035,549 | — | 39,252,040 |
| Construction | 27,857,357 | 72,920,217 | 440,635 | 101,218,209 |
| Septic elimination program | — | 2,273,730 | — | 2,273,730 |
| Lead service line replacement program | 740,416 | — | — | 740,416 |
| Total cash and cash equivalents | \$ 35,154,123 | \$ 132,432,908 | \$ 519,810 | \$ 168,106,841 |
| Investments: | | | | |
| Sinking fund | \$ — | \$ — | \$ 799,450 | \$ 799,450 |
| Debt service reserve | 9,686,494 | 17,066,876 | 2,200,550 | 28,953,920 |
| Construction | 14,122 | 31,612,225 | — | 31,626,347 |
| Customer deposits | 1,678,114 | — | — | 1,678,114 |
| System development charge fund | 3,121,270 | — | — | 3,121,270 |
| Total investments | \$ 14,500,000 | \$ 48,679,101 | \$ 3,000,000 | \$ 66,179,101 |

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.

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
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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 2023, 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, 2023, all surety bond insurance for Waterworks, Sewage Works and Stormwater Revenue Bonds have been replaced with cash funded debt service reserves as required by bond ordinance.

Construction:

Unspent bond and loans issue proceeds and grants 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 resources 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. Leases Receivable

FWCU, through its Water Utility, leases space on its water towers to various third parties, the terms of which expire 2042 through 2049. Payments increase annually based upon the Consumer Price Index (CPI). The leases were measured based upon the CPI at lease commencement. During 2023, FWCU recognized \$85,287 as revenue under lease contracts, which includes both lease revenue and interest.

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
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Note 5. 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 \$3,500 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.

Note 6. Capital Assets

The following changes occurred in capital assets by fund during the year ended December 31, 2023:

Water Utility

| | Balance, 1/1/2023 | Additions | Disposals | Transfers and Adjustments | Balance, 12/31/2023 |
|--------------------------------|-----------------------|----------------------|-------------------|------------------------------|------------------------|
| Land | \$ 6,219,867 | \$ — | \$ 89,612 | \$ 10,990 | \$ 6,141,245 |
| Distribution and collection | 265,743,955 | — | 522,011 | 10,581,817 | 275,803,761 |
| Buildings and improvement | 92,927,243 | — | 247,152 | 351,613 | 93,031,704 |
| Equipment and other | 139,748,081 | 1,603,198 | 1,306,444 | 2,245,154 | 142,289,989 |
| Construction in progress | 42,413,983 | 32,393,258 | — | (12,441,894) | 62,365,347 |
| Sub-total | <u>547,053,129</u> | <u>33,996,456</u> | <u>2,165,219</u> | <u>747,680</u> | <u>579,632,046</u> |
| Less accumulated depreciation: | | | | | |
| Distribution and collection | 79,547,855 | 4,133,092 | 402,076 | — | 83,278,871 |
| Buildings and improvement | 46,004,419 | 2,129,044 | 80,799 | — | 48,052,664 |
| Equipment and other | 78,743,978 | 4,417,996 | 1,178,078 | 706,518 | 82,690,414 |
| Sub-total | <u>204,296,252</u> | <u>10,680,132</u> | <u>1,660,953</u> | <u>706,518</u> | <u>214,021,949</u> |
| Net Capital Assets | <u>\$ 342,756,877</u> | <u>\$ 23,316,324</u> | <u>\$ 504,266</u> | <u>\$ 41,162</u> | <u>\$ 365,610,097</u> |

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
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(Continued)

Wastewater Utility

| | Balance, 1/1/2023 | Additions | Disposals | Transfers and Adjustments | Balance, 12/31/2023 |
|--------------------------------|-----------------------|----------------------|-------------------|------------------------------|------------------------|
| Land | \$ 4,507,900 | \$ — | \$ — | \$ 34,811 | \$ 4,542,711 |
| Distribution and collection | 429,068,294 | — | 2,557,520 | 20,679,020 | 447,189,794 |
| Buildings and improvement | 221,376,450 | — | — | 5,812,567 | 227,189,017 |
| Equipment and other | 146,720,201 | 2,366,885 | 1,792,315 | 4,390,164 | 151,684,935 |
| Construction in progress | 366,633,468 | 96,771,526 | — | (31,363,925) | 432,041,069 |
| Sub-total | <u>1,168,306,313</u> | <u>99,138,411</u> | <u>4,349,835</u> | <u>(447,363)</u> | <u>1,262,647,526</u> |
| Less accumulated depreciation: | | | | | |
| Distribution and collection | 114,705,452 | 6,753,570 | 2,173,400 | — | 119,285,622 |
| Buildings and improvement | 75,427,735 | 5,057,533 | — | — | 80,485,268 |
| Equipment and other | 76,966,279 | 6,547,846 | 1,629,243 | (650,486) | 81,234,396 |
| Sub-total | <u>267,099,466</u> | <u>18,358,949</u> | <u>3,802,643</u> | <u>(650,486)</u> | <u>281,005,286</u> |
| Net Capital Assets | <u>\$ 901,206,847</u> | <u>\$ 80,779,462</u> | <u>\$ 547,192</u> | <u>\$ 203,123</u> | <u>\$ 981,642,240</u> |

Stormwater Utility

| | Balance, 1/1/2023 | Additions | Disposals | Transfers and Adjustments | Balance, 12/31/2023 |
|--------------------------------|-----------------------|---------------------|------------------|------------------------------|------------------------|
| Land | \$ 6,436,115 | \$ 1,453 | \$ — | \$ 63,560 | \$ 6,501,128 |
| Distribution and collection | 197,048,771 | — | 1,783,070 | 10,694,719 | 205,960,420 |
| Buildings and improvement | 3,589,334 | — | — | 40,835 | 3,630,169 |
| Equipment and other | 6,337,463 | 599,183 | 79,869 | (287,219) | 6,569,558 |
| Construction in progress | 12,149,486 | 11,684,186 | — | (10,809,928) | 13,023,744 |
| Sub-total | <u>225,561,169</u> | <u>12,284,822</u> | <u>1,862,939</u> | <u>(298,033)</u> | <u>235,685,019</u> |
| Less accumulated depreciation: | | | | | |
| Distribution and collection | 51,166,789 | 3,065,774 | 1,783,070 | — | 52,449,493 |
| Buildings and improvement | 1,268,811 | 88,057 | — | — | 1,356,868 |
| Equipment and other | 4,319,563 | 432,468 | 74,896 | (54,368) | 4,622,767 |
| Sub-total | <u>56,755,163</u> | <u>3,586,299</u> | <u>1,857,966</u> | <u>(54,368)</u> | <u>58,429,128</u> |
| Net Capital Assets | <u>\$ 168,806,006</u> | <u>\$ 8,698,523</u> | <u>\$ 4,973</u> | <u>\$ (243,665)</u> | <u>\$ 177,255,891</u> |

Electric Utility

| | Balance, 1/1/2023 | Additions | Disposals | Transfers and Adjustments | Balance, 12/31/2023 |
|--------------------------------|----------------------|-------------|-------------|------------------------------|------------------------|
| Land | \$ 75,732 | \$ — | \$ — | \$ — | \$ 75,732 |
| Buildings and improvement | 1,121,198 | — | — | — | 1,121,198 |
| Equipment and other | 342,787 | — | — | — | 342,787 |
| Sub-total | <u>1,539,717</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>1,539,717</u> |
| Less accumulated depreciation: | | | | | |
| Buildings and improvement | 1,121,198 | — | — | — | 1,121,198 |
| Equipment and other | 342,787 | — | — | — | 342,787 |
| Sub-total | <u>1,463,985</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>1,463,985</u> |
| Net Capital Assets | <u>\$ 75,732</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 75,732</u> |

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(Continued)

Yard Waste Utility

| | Balance, 1/1/2023 | Additions | Disposals | Transfers and Adjustments | Balance, 12/31/2023 |
|--------------------------------|----------------------|---------------|---------------|------------------------------|------------------------|
| Buildings and improvement | \$ 68,777 | \$ — | \$ — | \$ — | \$ 68,777 |
| Equipment and other | 12,389 | 775 | 1,575 | (2,033) | 9,556 |
| Construction in progress | 7,544 | 930 | — | (251) | 8,223 |
| Sub-total | <u>88,710</u> | <u>1,705</u> | <u>1,575</u> | <u>(2,284)</u> | <u>86,556</u> |
| Less accumulated depreciation: | | | | | |
| Buildings and improvement | 68,777 | — | — | — | 68,777 |
| Equipment and other | 8,557 | 1,018 | 1,412 | (1,664) | 6,499 |
| Sub-total | <u>77,334</u> | <u>1,018</u> | <u>1,412</u> | <u>(1,664)</u> | <u>75,276</u> |
| Net Capital Assets | <u>\$ 11,376</u> | <u>\$ 687</u> | <u>\$ 163</u> | <u>\$ (620)</u> | <u>\$ 11,280</u> |

Total FWCU

| | Balance, 1/1/2023 | Additions | Disposals | Transfers and Adjustments | Balance, 12/31/2023 |
|--------------------------------|------------------------|----------------------|---------------------|------------------------------|------------------------|
| Land | \$ 17,239,614 | \$ 1,453 | \$ 89,612 | \$ 109,361 | \$ 17,260,816 |
| Distribution and collection | 891,861,020 | — | 4,862,601 | 41,955,556 | 928,953,975 |
| Buildings and improvement | 319,083,002 | — | 247,152 | 6,205,015 | 325,040,865 |
| Equipment and other | 293,160,921 | 4,570,041 | 3,180,203 | 6,346,066 | 300,896,825 |
| Construction in progress | 421,204,481 | 140,849,900 | — | (54,615,998) | 507,438,383 |
| Sub-total | <u>1,942,549,038</u> | <u>145,421,394</u> | <u>8,379,568</u> | <u>—</u> | <u>2,079,590,864</u> |
| Less accumulated depreciation: | | | | | |
| Distribution and collection | 245,420,096 | 13,952,436 | 4,358,546 | — | 255,013,986 |
| Buildings and improvement | 123,890,940 | 7,274,634 | 80,799 | — | 131,084,775 |
| Equipment and other | 160,381,164 | 11,399,328 | 2,883,629 | — | 168,896,863 |
| Sub-total | <u>529,692,200</u> | <u>32,626,398</u> | <u>7,322,974</u> | <u>—</u> | <u>554,995,624</u> |
| Net Capital Assets | <u>\$1,412,856,838</u> | <u>\$112,794,996</u> | <u>\$ 1,056,594</u> | <u>\$ —</u> | <u>\$1,524,595,240</u> |

Note 7. Deferred Outflows of Resources

The following is a summary of changes in deferred outflows of resources for the year ended December 31, 2023:

Water Utility

| Outflow of resources related to: | Balance, 1/1/2023 | Additions | Deductions | Balance, 12/31/2023 |
|----------------------------------|----------------------|-------------------|-------------------|------------------------|
| Pensions (see Note 15) | \$ 1,779,179 | \$ 144,748 | \$ — | \$ 1,923,927 |
| OPEB (see Note 16) | 1,071,121 | — | 198,273 | 872,848 |
| Total | <u>\$ 2,850,300</u> | <u>\$ 144,748</u> | <u>\$ 198,273</u> | <u>\$ 2,796,775</u> |

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2023
(Continued)

Wastewater Utility

| Outflow of resources related to: | Balance, 1/1/2023 | Additions | Deductions | Balance, 12/31/2023 |
|----------------------------------|----------------------|-------------------|-------------------|------------------------|
| Debt refunding loss | \$ 376,905 | \$ — | \$ 75,381 | \$ 301,524 |
| Pensions (see Note 15) | 2,863,861 | 229,053 | — | 3,092,914 |
| OPEB (see Note 16) | 1,597,144 | — | 324,813 | 1,272,331 |
| Total | <u>\$ 4,837,910</u> | <u>\$ 229,053</u> | <u>\$ 400,194</u> | <u>\$ 4,666,769</u> |

Stormwater Utility

| Outflow of resources related to: | Balance, 1/1/2023 | Additions | Deductions | Balance, 12/31/2023 |
|----------------------------------|----------------------|------------------|------------------|------------------------|
| Pensions (see Note 15) | \$ 519,697 | \$ 33,296 | \$ 2,048 | \$ 550,945 |
| OPEB (see Note 16) | 521,989 | — | 52,619 | 469,370 |
| Total | <u>\$ 1,041,686</u> | <u>\$ 33,296</u> | <u>\$ 54,667</u> | <u>\$ 1,020,315</u> |

Total FWCU

| Outflow of resources related to: | Balance, 1/1/2023 | Additions | Deductions | Balance, 12/31/2023 |
|----------------------------------|----------------------|-------------------|-------------------|------------------------|
| Debt refunding loss | \$ 376,905 | \$ — | \$ 75,381 | \$ 301,524 |
| Pensions (see Note 15) | 5,162,737 | 407,097 | 2,048 | 5,567,786 |
| OPEB (see Note 16) | 3,190,254 | — | 575,705 | 2,614,549 |
| Total | <u>\$ 8,729,896</u> | <u>\$ 407,097</u> | <u>\$ 653,134</u> | <u>\$ 8,483,859</u> |

Note 8. Deferred Inflows of Resources

The following is a summary of changes in deferred inflows of resources for the year ended December 31, 2023:

Water Utility

| Inflow of resources related to: | Balance, 1/1/2023 | Additions | Deductions | Balance, 12/31/2023 |
|---------------------------------|----------------------|-------------|-------------------|------------------------|
| Pensions (see Note 15) | \$ 240,012 | \$ — | \$ 37,450 | \$ 202,562 |
| OPEB (see Note 16) | 1,601,281 | — | 235,524 | 1,365,757 |
| Leases receivable (see Note 4) | 1,092,840 | — | 49,134 | 1,043,706 |
| Total | <u>\$ 2,934,133</u> | <u>\$ —</u> | <u>\$ 322,108</u> | <u>\$ 2,612,025</u> |

Wastewater Utility

| Inflow of resources related to: | Balance, 1/1/2023 | Additions | Deductions | Balance, 12/31/2023 |
|---------------------------------|----------------------|-------------|-------------------|------------------------|
| Pensions (see Note 15) | \$ 263,642 | \$ — | \$ 61,351 | \$ 202,291 |
| OPEB (see Note 16) | 2,527,546 | — | 385,839 | 2,141,707 |
| Total | <u>\$ 2,791,188</u> | <u>\$ —</u> | <u>\$ 447,190</u> | <u>\$ 2,343,998</u> |

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Stormwater Utility

| Inflow of resources related to: | Balance, 1/1/2023 | Additions | Deductions | Balance, 12/31/2023 |
|---------------------------------|----------------------|-------------|------------------|------------------------|
| Pensions (see Note 15) | \$ 261,912 | \$ — | \$ 9,938 | \$ 251,974 |
| OPEB (see Note 16) | 568,767 | — | 62,506 | 506,261 |
| Total | \$ 830,679 | \$ — | \$ 72,444 | \$ 758,235 |

Total FWCU

| Inflow of resources related to: | Balance, 1/1/2023 | Additions | Deductions | Balance, 12/31/2023 |
|---------------------------------|----------------------|-------------|-------------------|------------------------|
| Pensions (see Note 15) | \$ 765,566 | \$ — | \$ 108,739 | \$ 656,827 |
| OPEB (see Note 16) | 4,697,594 | — | 683,869 | 4,013,725 |
| Leases receivable (see Note 4) | 1,092,840 | — | 49,134 | 1,043,706 |
| Total | \$ 6,556,000 | \$ — | \$ 841,742 | \$ 5,714,258 |

Note 9. 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 2023, the Water and Wastewater Utilities had outstanding developer notes payable included in other current liabilities on the statement of net position. As of December 31, 2023 the total developer notes payable liability for the Water Utility remained unchanged from prior year at \$7,334 with no pledged revenues collected in 2023. As of December 31, 2023 the total developer notes payable liability for the Wastewater Utility was \$361,156.

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Note 10. Long-Term Debt

Bonds Payable:

Water Utility bonds payable at December 31, 2023 are as follows:

| | |
|---|-----------------------------|
| Water Works Revenue Bonds of 2012 - original issue of \$40,000,000 - due in annual installments of \$2,345,000 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 \$138,865. | \$ 23,983,865 |
| Water Works Revenue Bonds of 2014 - original issue of \$63,000,000 - due in annual installments of \$3,820,000 to \$5,730,000 plus interest at 3.000 percent to 4.000 percent through December 1, 2034, plus unamortized bond premium of \$552,791. | 51,972,791 |
| Water Works Revenue Bonds of 2019 Series A - original issue of \$11,770,000 - due in annual installments of \$475,000 to \$815,000 plus interest at .050 percent to 6.400 percent through December 1, 2039, redeemable prior to maturity for bonds maturing after 2029, less unamortized bond discount of \$8,037. | 9,991,963 |
| Total | <u>85,948,619</u> |
| Less: Current portion | <u>(6,640,000)</u> |
| Noncurrent bonds payable, net | <u><u>\$ 79,308,619</u></u> |

Water Utility bond debt service requirements to maturity as of December 31, 2023 are as follows:

| Year Due | Principal | Interest | Total |
|-----------|----------------------|----------------------|-----------------------|
| 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 | 7,345,000 | 2,206,181 | 9,551,181 |
| 2028 | 7,610,000 | 1,969,944 | 9,579,944 |
| 2029-2033 | 39,525,000 | 5,744,445 | 45,269,445 |
| 2034-2038 | 9,370,000 | 376,219 | 9,746,219 |
| 2039 | 815,000 | 306 | 815,306 |
| Total | <u>\$ 85,265,000</u> | <u>\$ 18,218,563</u> | <u>\$ 103,483,563</u> |

Wastewater Utility bonds payable at December 31, 2023 are as follows:

| | |
|---|---------------|
| Sewage Works Revenue Bonds of 2011 Series A - original issue of \$38,100,000 - due in annual installments of \$3,245,000 to \$3,490,000 plus interest at 2.800 percent through August 1, 2026, redeemable at 100 percent beginning in 2022. | \$ 10,100,000 |
| Sewage Works Revenue Bonds of 2012 Series B - original issue of \$15,530,000 - due in annual installments of \$1,185,000 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 \$65,137. | 5,020,137 |
| Sewage Works Revenue Bonds of 2013 Series A - original issue of \$32,955,000 - due in annual installment of \$4,060,000 plus interest at 1.950 percent on August 1, 2024. | 4,060,000 |

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| | |
|---|-----------------------|
| 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 \$177,608. | 42,437,608 |
| 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 \$251,220. | 11,161,220 |
| Sewage Works Refunding Revenue Bonds of 2017 Series A - original issue of \$16,700,000 - due in annual installments of \$1,305,000 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. | 9,785,000 |
| Sewage Works Refunding Revenue Bonds of 2017 Series B - original issue of \$16,700,000 - due in annual installments of \$1,300,000 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. | 9,765,000 |
| 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 \$831,959. | 27,911,959 |
| Sewage Works Revenue Bonds of 2022 Series A - original issue of \$25,000,000 - due in annual installments of \$300,000 to \$1,895,000 plus interest at .050 percent to 5.000 percent through August 1, 2042, redeemable at 100 percent beginning on August 1, 2031, plus unamortized bond premium of \$232,834. | 24,932,834 |
| Total | 145,173,758 |
| Less: Current portion | (17,510,000) |
| Noncurrent bonds payable, net | \$ 127,663,758 |

Wastewater Utility bond debt service requirements to maturity as of December 31, 2023 are as follows:

| Year Due | Principal | Interest | Total |
|--------------|-----------------------|----------------------|-----------------------|
| 2024 | \$ 17,510,000 | \$ 4,722,664 | \$ 22,232,664 |
| 2025 | 18,025,000 | 4,191,578 | 22,216,578 |
| 2026 | 16,500,000 | 3,602,837 | 20,102,837 |
| 2027 | 13,355,000 | 3,078,848 | 16,433,848 |
| 2028 | 10,850,000 | 2,640,713 | 13,490,713 |
| 2029-2033 | 44,670,000 | 8,221,209 | 52,891,209 |
| 2034-2038 | 13,145,000 | 2,791,614 | 15,936,614 |
| 2039-2042 | 9,560,000 | 365,083 | 9,925,083 |
| Total | \$ 143,615,000 | \$ 29,614,546 | \$ 173,229,546 |

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2023
(Continued)

Stormwater Utility bonds payable at December 31, 2023 are as follows:

| | |
|--|----------------------|
| Stormwater Management District Revenue Bonds of 2017 - original issue of \$27,320,000 - due in semiannual installments of \$815,000 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 \$163,970. | \$ 17,803,970 |
| Less: Current portion | (1,640,000) |
| Noncurrent bonds payable, net | <u>\$ 16,163,970</u> |

Stormwater Utility bond debt service requirements to maturity as of December 31, 2023 are as follows:

| Year Due | Principal | Interest | Total |
|-----------|---------------|--------------|---------------|
| 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 | 1,775,000 | 364,500 | 2,139,500 |
| 2028 | 1,830,000 | 310,800 | 2,140,800 |
| 2029-2033 | 8,985,000 | 688,650 | 9,673,650 |
| Total | \$ 17,640,000 | \$ 2,675,750 | \$ 20,315,750 |

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 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.

In addition to the long term loans, FWCU also issues commercial loans to address the short-term capital needs. The loan proceeds are used to increase the working capital through acquisition of new machinery and equipment. Every year FWCU bids out this service and awards it to the lowest bidder. The lender for all outstanding commercial loans is JPMorgan Chase Bank.

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2023
(Continued)

Details of all Water Utility loans payable at December 31, 2023 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, 2023 total drawn amount is \$7,350,773. | \$ 6,138,773 |
| Water Works SRF Revenue Bonds of 2023 Series A - maximum draw of \$1,999,000 - due in annual installments of \$28,972 to \$57,942 at zero interest through June 1, 2058, as of December 31, 2023 total drawn amount is \$107,844. | 107,844 |
| Water Works SRF Revenue Bonds of 2023 Series B - maximum draw of \$5,746,000 - due in annual installments of \$164,100 at zero interest through December 1, 2058, as of December 31, 2023 total drawn amount is \$115,054. | 115,054 |

SRF Advance loans:

| | |
|--|------------|
| Water Works SRF Revenue Bonds of 2011 Series B - original pool share of \$26,906,000 - due in annual installments of \$1,615,000 to \$2,073,000 plus interest at 2.967 percent through December 1, 2031, redeemable prior to maturity for bonds maturing after 2021. | 14,690,000 |
| 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. | 18,813,000 |
| Water Works SRF Revenue Bonds of 2021 - original issue of \$44,480,000 - due in annual installments of \$1,830,201 to \$2,732,480 plus interest at 1.950 percent through December 1, 2042, redeemable prior to maturity for bonds maturing after 2032. | 42,677,266 |

Commercial loans:

| | |
|--|----------------------|
| 2017 Commercial Loan - original amount of \$432,627 - due in semiannual installments of \$33,394 including interest at 2.103 percent through April 6, 2024. | 33,047 |
| 2018 Commercial Loan - original amount of \$255,588 - due in semiannual installments of \$20,515 including interest at 3.202 percent through April 4, 2025. | 59,633 |
| 2019 Commercial Loan - original amount of \$471,435 - due in semiannual installments of \$37,232 including interest at 2.730 percent through April 4, 2026. | 178,754 |
| 2020 Commercial Loan - original amount of \$948,548 - due in semiannual installments of \$71,010 including interest at 1.263 percent through April 5, 2027. | 484,734 |
| 2021 Commercial Loan - original amount of \$827,009 - due in semiannual installments of \$62,175 including interest at 1.380 percent through April 4, 2028. | 540,745 |
| 2022 Commercial Loan - original amount of \$784,275 - due in semiannual installments of \$60,807 including interest at 2.229 percent through April 25, 2029. | 626,291 |
| 2023 Commercial Loan - original amount of \$833,000 - due in semiannual installments of \$67,076 including interest at 3.280 percent through April 11, 2030. | 779,585 |
| Total | <u>85,244,726</u> |
| Less: Current portion | <u>(5,370,136)</u> |
| Noncurrent loans payable | <u>\$ 79,874,590</u> |

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2023
(Continued)

Water Utility anticipated loan debt service requirements to maturity, after all remaining loan principal has been drawn down, as of December 31, 2023 are as follows:

| Year Due | Principal | Interest | Total |
|-----------|----------------------|----------------------|-----------------------|
| 2024 | \$ 5,370,136 | \$ 1,883,935 | \$ 7,254,071 |
| 2025 | 5,451,419 | 1,764,046 | 7,215,465 |
| 2026 | 5,528,644 | 1,641,935 | 7,170,579 |
| 2027 | 5,558,611 | 1,518,150 | 7,076,761 |
| 2028 | 5,564,847 | 1,392,596 | 6,957,443 |
| 2029-2033 | 24,163,135 | 5,087,019 | 29,250,154 |
| 2034-2038 | 20,394,131 | 2,776,133 | 23,170,264 |
| 2039-2043 | 15,074,972 | 868,973 | 15,943,945 |
| 2044-2048 | 3,617,710 | 142,887 | 3,760,597 |
| 2049-2053 | 1,110,710 | — | 1,110,710 |
| 2054-2058 | 888,568 | — | 888,568 |
| Total | <u>\$ 92,722,883</u> | <u>\$ 17,075,674</u> | <u>\$ 109,798,557</u> |

Details of all Wastewater Utility loans payable at December 31, 2023 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 \$246,174 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. | \$ 1,731,512 |
| Sewage Works SRF Revenue Bonds of 2011 Series B - maximum draw of \$33,576,000 - due in annual installments of \$1,769,000 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. | 15,342,000 |
| Sewage Works SRF Revenue Bonds of 2012 Series A - maximum draw of \$10,415,000 - due in annual installments of \$531,000 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. | 5,136,000 |
| Sewage Works SRF Revenue Bonds of 2014 Series A - maximum draw of \$17,000,000 - due in annual installments of \$888,000 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. | 9,876,000 |
| 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. Loan is completely drawn-down. | 82,365,000 |
| Sewage Works SRF Revenue Bonds of 2018 Series B - maximum draw of \$21,722,416 - due in annual installments of \$908,500 to \$1,398,800 plus interest at 2.860 percent through August 1, 2039, redeemable prior to maturity for bonds maturing after 2029. Loan is completely drawn-down. | 18,175,200 |
| Sewage Works SRF Revenue Bonds of 2022 IFA - maximum draw of \$5,555,000 - due in annual installments of \$178,000 at zero percent interest through August 1, 2053, redeemable prior to maturity for bonds maturing after 2032. Loan is completely drawn-down. | 5,340,000 |

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2023
(Continued)

SRF Advance loans:

| | |
|--|-------------|
| Sewage Works SRF Revenue Bonds of 2014 Series B - original pool share of \$60,872,000 - due in annual installments of \$2,012,000 to \$6,160,000 plus interest at 3.074 percent through August 1, 2034, redeemable prior to maturity for bonds maturing after 2027. | 52,862,000 |
| Sewage Works SRF Revenue Bonds of 2014 Series C - original pool share of \$5,015,000 - due in annual installments of \$250,000 to \$350,000 plus interest at 3.074 percent through August 1, 2034, redeemable prior to maturity for bonds maturing after 2027. | 3,265,000 |
| Sewage Works SRF Revenue Bonds of 2016 Series B - original pool share of \$138,583,000 - due in annual installments of \$3,731,705 to \$7,325,433 plus interest at 3.060 percent through August 1, 2046, redeemable prior to maturity for bonds maturing after 2028. | 122,755,570 |
| Sewage Works SRF Revenue Bonds of 2020 Series A - original pool share of \$25,000,000 - due in annual installments of \$1,055,000 to \$1,455,000 plus interest at 2.000 percent through August 1, 2040, redeemable prior to maturity for bonds maturing after 2032. | 21,170,000 |
| Sewage Works SRF Revenue Bonds of 2020 Series C - original pool share of \$25,000,000 - due in annual installments of \$1,023,000 to \$1,449,000 plus interest at 2.000 percent through August 1, 2041, redeemable prior to maturity for bonds maturing after 2033. | 22,025,000 |
| Sewage Works SRF Revenue Bonds of 2021 - original issue of \$140,000,000 - due in annual installments of \$2,427,642 to \$14,477,364 plus interest at 2.220 percent through August 1, 2042, redeemable prior to maturity for bonds maturing after 2034. | 137,575,081 |
| Sewage Works SRF Revenue Bonds of 2023 - original issue of \$34,499,000 - due in annual installments of \$253,000 to \$2,287,000 plus interest at 2.580 percent through August 1, 2044, redeemable prior to maturity for bonds maturing after 2036. | 34,499,000 |

Commercial loans:

| | |
|---|-----------------------|
| 2017 Commercial Loan - original amount of \$963,279 - due in semiannual installments of \$74,355 including interest at 2.103 percent through April 6, 2024. | 73,581 |
| 2018 Commercial Loan - original amount of \$591,063 - due in semiannual installments of \$47,442 including interest at 3.202 percent through April 4, 2025. | 137,903 |
| 2019 Commercial Loan - original amount of \$1,266,918 - due in semiannual installments of \$100,055 including interest at 2.730 percent through April 4, 2026. | 480,376 |
| 2020 Commercial Loan - original amount of \$1,490,378 - due in semiannual installments of \$111,573 including interest at 1.263 percent through April 5, 2027. | 761,626 |
| 2021 Commercial Loan - original amount of \$1,266,117 - due in semiannual installments of \$95,187 including interest at 1.380 percent through April 4, 2028. | 827,858 |
| 2022 Commercial Loan - original amount of \$963,925 - due in semiannual installments of \$74,736 including interest at 2.229 percent through April 25, 2029. | 769,752 |
| 2023 Commercial Loan - original amount of \$1,517,000 - due in semiannual installments of \$122,155 including interest at 3.280 percent through April 11, 2030. | 1,419,724 |
| Total | 536,588,183 |
| Less: Current portion | (21,667,245) |
| Noncurrent loans payable | <u>\$ 514,920,938</u> |

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2023
(Continued)

Wastewater Utility anticipated loan debt service requirements to maturity, after all remaining loan principal has been drawn down, as of December 31, 2023 are as follows:

| Year Due | Principal | Interest | Total |
|-----------|-----------------------|-----------------------|-----------------------|
| 2024 | \$ 21,667,245 | \$ 13,098,440 | \$ 34,765,685 |
| 2025 | 22,275,999 | 12,709,872 | 34,985,871 |
| 2026 | 24,636,981 | 12,172,380 | 36,809,361 |
| 2027 | 26,230,820 | 11,568,601 | 37,799,421 |
| 2028 | 26,654,213 | 10,918,418 | 37,572,631 |
| 2029-2033 | 146,566,346 | 44,171,276 | 190,737,622 |
| 2034-2038 | 137,197,138 | 25,704,087 | 162,901,225 |
| 2039-2043 | 105,965,444 | 10,031,262 | 115,996,706 |
| 2044-2048 | 24,503,997 | 1,200,650 | 25,704,647 |
| 2049-2053 | 890,000 | — | 890,000 |
| Total | <u>\$ 536,588,183</u> | <u>\$ 141,574,986</u> | <u>\$ 678,163,169</u> |

Details of all Stormwater Utility loans payable at December 31, 2023 are as follows:

Commercial loans:

| | |
|--|-------------------|
| 2017 Commercial Loan - original amount of \$314,094 - due in semiannual installments of \$24,245 including interest at 2.103 percent through April 6, 2024. | \$ 23,992 |
| 2018 Commercial Loan - original amount of \$194,349 - due in semiannual installments of \$15,599 including interest at 3.202 percent through April 4, 2025. | 45,316 |
| 2019 Commercial Loan - original amount of \$706,647 - due in semiannual installments of \$55,811 including interest at 2.730 percent through April 4, 2026. | 268,075 |
| 2020 Commercial Loan - original amount of \$561,074 - due in semiannual installments of \$42,004 including interest at 1.263 percent through April 5, 2027. | 286,805 |
| 2021 Commercial Loan - original amount of \$356,874 - due in semiannual installments of \$26,829 including interest at 1.380 percent through April 4, 2028. | 233,344 |
| 2022 Commercial Loan - original amount of \$501,800 - due in semiannual installments of \$38,906 including interest at 2.229 percent through April 25, 2029. | 400,540 |
| Total | <u>1,258,072</u> |
| Less: Current portion | <u>(359,474)</u> |
| Noncurrent loans payable | <u>\$ 898,598</u> |

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2023
(Continued)

Stormwater Utility anticipated loan debt service requirements to maturity, after all remaining loan principal has been drawn down, as of December 31, 2023 are as follows:

| Year Due | Principal | Interest | Total |
|-----------|--------------|-----------|--------------|
| 2024 | \$ 359,474 | \$ 23,069 | \$ 382,543 |
| 2025 | 327,025 | 15,674 | 342,699 |
| 2026 | 262,251 | 9,038 | 271,289 |
| 2027 | 168,525 | 4,949 | 173,474 |
| 2028 | 102,322 | 2,319 | 104,641 |
| 2029-2033 | 38,475 | 431 | 38,906 |
| Total | \$ 1,258,072 | \$ 55,480 | \$ 1,313,552 |

On May 30, 2023 FWCU issued \$11,000,000 of Waterworks Forgivable Bond Anticipation Notes of 2023 (BAN) through SRF. The proceeds will be used to address public and private side lead service line replacements in multiple high need areas of the City of Fort Wayne. The BAN has zero interest rate and matures on March 31, 2026, and will be forgiven at that time assuming all requirements of the program have been met. The BAN is a draw-down loan and as of December 21, 2023, \$2,310 has been drawn against it. FWCU is confident that it will comply with the financial assistance agreement provisions and the loan will be forgiven prior to maturity date.

On September 13, 2023 FWCU issued \$500,000 Taxable Sewage Works Bond Anticipation Notes of 2023 (BAN) through SRF. The proceeds will be used to finance capital improvements to the Sewage Works in the City of Fort Wayne. The BAN has zero interest rate and matures on March 31, 2026, unless prepaid or forgiven in accordance with the financial assistance agreement. The BAN is a draw-down loan and as of December 21, 2023, \$103,743 has been drawn against it. FWCU is confident that it will comply with the financial assistance agreement provisions and the loan will be forgiven prior to maturity date.

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2023
(Continued)

Changes in Long-Term Liabilities:

The following is a summary of long-term obligations for FWCU for the year ended December 31, 2023:

Water Utility

| | Balance, 1/1/2023 | Additions | Deductions | Balance, 12/31/2023 | Current Portion |
|-------------------------------------|-----------------------|---------------------|----------------------|------------------------|----------------------|
| Bonds and loans | | | | | |
| Revenue bonds payable, net | \$ 92,519,150 | \$ — | \$ 6,570,531 | \$ 85,948,619 | \$ 6,640,000 |
| Loans payable | 88,436,012 | 1,808,513 | 4,999,799 | 85,244,726 | 5,370,136 |
| Total bonds and loans | 180,955,162 | 1,808,513 | 11,570,330 | 171,193,345 | 12,010,136 |
| Other noncurrent liabilities | | | | | |
| Accrued compensated absences | 813,050 | 1,030,610 | 1,020,458 | 823,202 | 717,760 |
| Net pension liability (see Note 15) | 4,301,130 | 1,041,706 | 907,628 | 4,435,208 | — |
| Total OPEB liability (see Note 16) | 4,746,270 | 29,605 | — | 4,775,875 | 379,633 |
| Total other noncurrent liabilities | 9,860,450 | 2,101,921 | 1,928,086 | 10,034,285 | 1,097,393 |
| Total long-term liabilities | \$ 190,815,612 | \$ 3,910,434 | \$ 13,498,416 | \$ 181,227,630 | \$ 13,107,529 |

Wastewater Utility

| | Balance, 1/1/2023 | Additions | Deductions | Balance, 12/31/2023 | Current Portion |
|-------------------------------------|-----------------------|----------------------|----------------------|------------------------|----------------------|
| Bonds and loans | | | | | |
| Revenue bonds payable, net | \$ 162,643,910 | \$ — | \$ 17,470,152 | \$ 145,173,758 | \$ 17,510,000 |
| Loans payable | 521,747,764 | 36,016,000 | 21,175,581 | 536,588,183 | 21,667,245 |
| Total bonds and loans | 684,391,674 | 36,016,000 | 38,645,733 | 681,761,941 | 39,177,245 |
| Other noncurrent liabilities | | | | | |
| Accrued compensated absences | 997,492 | 1,361,897 | 1,079,655 | 1,279,734 | 1,080,892 |
| Net pension liability (see Note 15) | 6,198,476 | 1,706,535 | 1,486,886 | 6,418,125 | — |
| Total OPEB liability (see Note 16) | 6,987,466 | 48,500 | — | 7,035,966 | 621,919 |
| Total other noncurrent liabilities | 14,183,434 | 3,116,932 | 2,566,541 | 14,733,825 | 1,702,811 |
| Total long-term liabilities | \$ 698,575,108 | \$ 39,132,932 | \$ 41,212,274 | \$ 696,495,766 | \$ 40,880,056 |

Stormwater Utility

| | Balance, 1/1/2023 | Additions | Deductions | Balance, 12/31/2023 | Current Portion |
|-------------------------------------|----------------------|-------------------|---------------------|------------------------|---------------------|
| Bonds and loans | | | | | |
| Revenue bonds payable, net | \$ 19,441,378 | \$ — | \$ 1,637,408 | \$ 17,803,970 | \$ 1,640,000 |
| Loans payable | 1,633,812 | — | 375,740 | 1,258,072 | 359,474 |
| Total bonds and loans | 21,075,190 | — | 2,013,148 | 19,062,042 | 1,999,474 |
| Other noncurrent liabilities | | | | | |
| Accrued compensated absences | 173,213 | 218,126 | 214,181 | 177,158 | 160,556 |
| Net pension liability (see Note 15) | 2,371,498 | 276,457 | 240,874 | 2,407,081 | — |
| Total OPEB liability (see Note 16) | 2,765,964 | 7,857 | — | 2,773,821 | 100,751 |
| Total other noncurrent liabilities | 5,310,675 | 502,440 | 455,055 | 5,358,060 | 261,307 |
| Total long-term liabilities | \$ 26,385,865 | \$ 502,440 | \$ 2,468,203 | \$ 24,420,102 | \$ 2,260,781 |

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2023
(Continued)

Yard Waste Utility

| | Balance, 1/1/2023 | Additions | Deductions | Balance, 12/31/2023 | Current Portion |
|------------------------------------|----------------------|-----------------|-----------------|------------------------|--------------------|
| Other noncurrent liabilities | | | | | |
| Accrued compensated absences | \$ 2,550 | \$ 3,992 | \$ 2,086 | \$ 4,456 | \$ 3,912 |
| Total other noncurrent liabilities | 2,550 | 3,992 | 2,086 | 4,456 | 3,912 |
| Total long-term liabilities | <u>\$ 2,550</u> | <u>\$ 3,992</u> | <u>\$ 2,086</u> | <u>\$ 4,456</u> | <u>\$ 3,912</u> |

Total FWCU

| | Balance, 1/1/2023 | Additions | Deductions | Balance, 12/31/2023 | Current Portion |
|-------------------------------------|-----------------------|----------------------|----------------------|------------------------|----------------------|
| Bonds and loans | | | | | |
| Revenue bonds payable, net | \$ 274,604,438 | \$ — | \$ 25,678,091 | \$ 248,926,347 | \$ 25,790,000 |
| Loans payable | 611,817,588 | 37,824,513 | 26,551,120 | 623,090,981 | 27,396,855 |
| Total bonds and loans | 886,422,026 | 37,824,513 | 52,229,211 | 872,017,328 | 53,186,855 |
| Other noncurrent liabilities | | | | | |
| Accrued compensated absences | 1,986,305 | 2,614,625 | 2,316,380 | 2,284,550 | 1,963,120 |
| Net pension liability (see Note 15) | 12,871,104 | 3,024,698 | 2,635,388 | 13,260,414 | — |
| Total OPEB liability (see Note 16) | 14,499,700 | 85,962 | — | 14,585,662 | 1,102,303 |
| Total other noncurrent liabilities | 29,357,109 | 5,725,285 | 4,951,768 | 30,130,626 | 3,065,423 |
| Total long-term liabilities | <u>\$ 915,779,135</u> | <u>\$ 43,549,798</u> | <u>\$ 57,180,979</u> | <u>\$ 902,147,954</u> | <u>\$ 56,252,278</u> |

Note 11. 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 2023, FWCU received from the City \$858,612 for water, \$762,018 for sewer and \$114,996 for stormwater services.

The City received the following from FWCU in 2023:

| | Water Utility | Wastewater Utility | Stormwater Utility | Yard Waste Utility | Total |
|--------------------------------|---------------------|-----------------------|-----------------------|-----------------------|----------------------|
| Self insurance | \$ 2,910,451 | \$ 3,356,699 | \$ 722,450 | \$ 6,620 | \$ 6,996,220 |
| Garage services | 1,586,890 | 2,132,228 | 416,988 | 7,800 | 4,143,906 |
| Overhead charges | 739,842 | 1,106,101 | 173,491 | 5,683 | 2,025,117 |
| Office and technical services | 144,094 | 29,062 | 8,222 | 75 | 181,453 |
| Transfers out in lieu of taxes | 3,642,744 | 7,718,248 | 1,216,072 | — | 12,577,064 |
| Total | <u>\$ 9,024,021</u> | <u>\$ 14,342,338</u> | <u>\$ 2,537,223</u> | <u>\$ 20,178</u> | <u>\$ 25,923,760</u> |

FORT WAYNE CITY UTILITIES
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Note 12. Interfund Assets and Liabilities

As of December 31, 2023, 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 | Parks | Self Insurance | Garage | Summit Dev. Corp. | |
| Water | \$ 137,698 | \$ 62 | \$ — | \$ 390 | \$ 4,204 | \$ 79,528 | \$ 221,882 |
| Wastewater | 233,029 | — | 15,600 | 807 | 3,822 | 130,284 | 383,542 |
| Stormwater | 35,345 | — | — | 100 | 1,090 | 20,436 | 56,971 |
| Yard Waste | 1,158 | — | — | 4 | 1 | 670 | 1,833 |
| Total | <u>\$ 407,230</u> | <u>\$ 62</u> | <u>\$15,600</u> | <u>\$ 1,301</u> | <u>\$ 9,117</u> | <u>\$ 230,918</u> | <u>\$ 664,228</u> |

Due to City:

| Receivable Fund | Payable Fund | | | | Total |
|----------------------|---------------------|---------------------|-------------------|-----------------|---------------------|
| | Water | Wastewater | Stormwater | Yard Waste | |
| General | \$ 1,946,370 | \$ 3,178,769 | \$ 510,127 | \$ 909 | \$ 5,636,175 |
| Highways and Streets | 264 | 263 | — | — | 527 |
| Parks | 33,004 | — | 109,306 | — | 142,310 |
| Redevelopment | 196 | 322 | 50 | 2 | 570 |
| Self Insurance | 484,934 | 512,301 | 58,870 | 548 | 1,056,653 |
| Garage | 45,729 | 46,771 | 11,093 | 9 | 103,602 |
| Solid Waste | 443,029 | 725,775 | 113,845 | 3,730 | 1,286,379 |
| Parking | 1,508 | 2,523 | 603 | 10 | 4,644 |
| Total | <u>\$ 2,955,034</u> | <u>\$ 4,466,724</u> | <u>\$ 803,894</u> | <u>\$ 5,208</u> | <u>\$ 8,230,860</u> |

Note 13. 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 14. 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

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claims in excess of \$400,000 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 15. 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 (DC) account. The DC account consists of member's contributions, set by state statute at 3 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 may be obtained by contacting Indiana Public Retirement System, One North Capitol Avenue, Suite 001, Indianapolis, IN 46204, Ph. (844) 464-6777.

Benefits Provided:

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

A member who has reached age 65 and has at least ten 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.

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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.

Starting July 1, 2023, under House Enrolled Act (HEA) 1001, members can begin receiving pension benefits while continuing to work in a covered position at age 65 with 20 years of service known as the Millie Morgan retirement. There was no impact on the valuation report since no assumptions changed.

The PERF Hybrid Plan also provides disability benefits to members. A member who has at least five 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 Indiana Code 5-10.2. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. A contribution of three percent of covered payroll is required into the defined contribution account. FWCU elected to make this contribution on behalf of their members in 2023. For 2023, 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, 2023 was \$2,636,732 and equaled the required contribution for the year.

Actuarial Assumptions:

The actuarial assumptions used in the June 30, 2023 valuation of the Public Employee's Pension Fund were adopted by the INPRS Board in May 2023. The total pension liability in the June 30, 2023 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 | No COLA for 2023-2025; 0.4% to 0.6% thereafter |

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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.

There were no changes in economic assumptions since the adoption of a new set of economic assumptions from the Asset-Liability work completed in May 2021. The discount rate remained unchanged at 6.25 percent from prior year, the inflation rate remained unchanged at two percent from prior year, and the salary increases remained unchanged from prior year at the range of 2.65 percent to 8.65 percent for 2023. Plan members were not granted a cost-of-living adjustment for the 2023-2025 biennium. It is important to note that this change in plan provision for COLA does not change the long-term assumption for future years beginning in 2026. The demographic assumptions based on the plan's 2015-2019 Experience Study, was used in the June 30, 2022 actuarial valuation rolled forward to June 30, 2023. In addition, the Average Annual Compensation was increased from prior year by \$200 for additional wages received upon termination, such as severance or unused sick leave, for active members. A change in the plan provision from prior year included reducing the Millie Morgan Retirement eligibility requirement from age 70 to age 65 (with 20 years of service). This immaterial change had no impact on the actuarial valuation. There were no changes in the funding policy or actuarial methods used in the prior year. The employee census data included on the June 30, 2022 valuation was rolled-forward one year to June 30, 2023. 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 forecasted rate of inflation serves as the baseline for the return expectation. In order to determine the expected long-term nominal market rate of return, the asset class geometric real returns are projected for a 30-year time horizon. These returns are combined with a projected covariance matrix and the target asset allocations to create a range of expected long-term real market rates of return for the portfolio. A range of possible expected long-term rates of return is created by adding the forecasted inflation to the expected long-term real rates of return. This range, along with a reasonable alpha assumption from manager selection, ultimately supports the long-term expected rate of return assumption of 6.25 percent selected by the Board as the discount rate. The assumption is a long-term assumption and is not expected to change with small fluctuations in the underlying inputs, but may change with a fundamental shift in the underlying market factors or significant asset allocation change. Various real return premiums over the baseline inflation rate have been established for each asset class. The long term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from 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.

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To maximize the probability of achieving the target rate of return over a 30-year time horizon, INPRS's Board of Trustees approved a new asset allocation on May 7, 2021 that included the increased use of leverage. The explicit leverage enables the Plan to obtain additional investment exposure, which results in an asset allocation that exceeds 100 percent of invested assets. Beginning in fiscal year 2022, the plan's target allocation for total exposure is 115 percent.

| | Target Allocation (%) | Long Term Expected Real Rate of Return (%) |
|------------------------------------|-----------------------------|---|
| Public Equity | 20.0 | 3.7 |
| Private Equity | 15.0 | 6.4 |
| Fixed Income - Ex Inflation Linked | 20.0 | 2.2 |
| Fixed Income - Inflation Linked | 15.0 | 0.5 |
| Commodities | 10.0 | 1.1 |
| Real Estate | 10.0 | 3.4 |
| Absolute Return | 5.0 | 1.6 |
| Risk Parity | 20.0 | 5.9 |
| Cash and Cash Overlay | N/A | — |
| Total | <u>115.0</u> | |

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 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

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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 | \$ 21,610,262 | \$ 13,260,414 | \$ 6,298,284 |

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

As of December 31, 2023, FWCU reported a liability of \$13,260,414 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total 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, 2023, the FWCU proportion was 0.0037572, which was a decrease of 0.0003239 from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, FWCU recognized pension expense of \$2,551,671, based on an actuarial valuation as of June 30, 2023. At December 31, 2023, 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 | \$ 271,304 | \$ — |
| Net difference between projected and actual investment earnings on pension plan investments | 3,039,323 | — |
| Changes of assumptions | 723,117 | — |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 181,130 | 656,827 |
| Employer contributions subsequent to the measurement date | 1,352,912 | — |
| Total | \$ 5,567,786 | \$ 656,827 |

At December 31, 2023, FWCU reported \$1,352,912 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, 2024. 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 December 31, | |
|--------------------------|--------------|
| 2024 | \$ 1,263,417 |
| 2025 | 13,602 |
| 2026 | 1,867,048 |
| 2027 | 413,980 |
| Total | \$ 3,558,047 |

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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.

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.

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

Note 16. 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 with a minimum of 20 years of service. 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, 2023 using the latest employee census data. The plan's last valuation date was December 31, 2022 and roll-forward procedures were used to update the plan's OPEB liabilities for December 31, 2023.

| | |
|--|-----|
| Active plan members: fully eligible | 35 |
| Active plan members: not fully eligible | 308 |
| Inactive members currently receiving benefit payments | 46 |
| Inactive plan members with life insurance policy only | 152 |
| Inactive plan members entitled to but not yet receiving benefit payments | — |
| Total | 541 |

Benefit payments:

The benefit payment requirements of plan members are established annually by Fort Wayne City Council. The required pay is based on pay-as-you-go financing requirements. Eligible

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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 |

FWCU pays the remainder of the costs. For the year ended December 31, 2023, the FWCU paid \$965,024 to the plan.

Total OPEB Liability:

FWCU total OPEB liability of \$14,585,662 was measured as of December 31, 2023. Standard roll-forward procedures were used to project data forward one year to the December 31, 2023 measurement date. The current portion of OPEB liability has been recognized and presented for the year ended December 31, 2023 in the amount equal to \$1,102,303.

Actuarial Methods and Assumptions:

FWCU total OPEB liability was determined by the actuarial valuation as of December 31, 2022 using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of December 31, 2023, unless otherwise specified:

| | |
|------------------------------|--|
| Inflation rate | 2.5% |
| Salary increases | 2.5% |
| Discount rate | 4.31% |
| 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 Pub-2010 Total Data Set Mortality projected forward using the MP-2021 generational future mortality improvement scale.

Discount Rate:

The discount rate used to measure the total OPEB liability was 4.31 percent for 2023. 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

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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.

Changes in Total OPEB Liability:

| | Total OPEB Liability |
|---|-------------------------|
| Balance at December 31, 2022 | \$ 14,499,700 |
| Changes for the year: | |
| Service cost | 428,382 |
| Interest cost | 631,925 |
| Difference between expected and actual experience | (9,321) |
| Changes in assumption | — |
| Benefit payments | (965,024) |
| Net Changes | 85,962 |
| Balance at December 31, 2023 | \$ 14,585,662 |

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 4.31 percent as well as what the liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.31) percent or 1-percentage point higher (5.31) percent than the current discount rate:

| | 1% Decrease (3.31%) | Current Discount Rate (4.31%) | 1% Increase (5.31%) |
|----------------------|------------------------|-------------------------------------|------------------------|
| Total OPEB Liability | \$ 15,947,036 | \$ 14,585,662 | \$ 13,377,056 |

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 | \$ 13,335,664 | \$ 14,585,662 | \$ 16,059,950 |

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

For the year ended December 31, 2023, FWCU recognized the following OPEB expense:

| | | |
|---|----|----------------|
| Service cost | \$ | 428,382 |
| Interest cost | | 631,925 |
| Difference between expected and actual experience | | (401,269) |
| Changes in assumptions | | 283,784 |
| Total OPEB expense | \$ | <u>942,822</u> |

There were no benefit payments made after the measurement date.

For the year ended December 31, 2023, 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 | \$ 344,580 | \$ 2,281,593 |
| Changes in assumptions | 2,269,969 | 1,732,132 |
| Total | <u>\$ 2,614,549</u> | <u>\$ 4,013,725</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, | |
|----------------------------------|-----------------------|
| 2024 | \$ (117,485) |
| 2025 | (117,485) |
| 2026 | (117,485) |
| 2027 | (117,485) |
| 2028 | (104,232) |
| Thereafter | (825,004) |
| Total | <u>\$ (1,399,176)</u> |

Note 17. Commitments and Contingencies

Consent Decree:

Similar to other utilities in this industry, the FWCU sanitary sewer system is operating under a federal consent decree related to the Clean Water Act. 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. Marys and Maumee Rivers. The

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infrastructure cost to reduce the number of CSO events is approximately \$340 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 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, 2023 for each utility are as follows:

| | |
|--------------------|----------------------|
| Water Utility | \$ 14,981,374 |
| Wastewater Utility | 74,263,808 |
| Stormwater Utility | <u>363,433</u> |
| | <u>\$ 89,608,615</u> |

Major contracts awarded subsequent to December 31, 2023:

| Board of Works Award Date | Vendor | Major Contract Project Description | Amount |
|---------------------------------|-------------------------------|--|---------------------|
| <u>Water Utility</u> | | | |
| 02/22/2024 | Ottenweller Contracting, LLC. | Carbon Dioxide System Improvements - Install Tanks 4 & 5 | \$ 149,000 |
| 02/01/2024 | Fox Contractors Corp. | Adams Center Road & Tillman Road Water Main Extension | <u>2,726,007</u> |
| | | | <u>\$ 2,875,007</u> |

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| Board of Works Award Date | Vendor | Major Contract Project Description | Amount |
|----------------------------------|------------------------------|--|---------------------|
| <u>Wastewater Utility</u> | | | |
| 01/23/2024 | Parkson Corp | CU - WPCP Headwork Screens Rebuild | \$ 1,374,250 |
| 01/23/2024 | Donohue & Associates | CU - WPCP Scade Migration Pkg #6 | 268,750 |
| 01/23/2024 | Jacobs Engineering | CU - CCM & RPR WPCP MCC-P4 Repl. | 130,350 |
| 02/06/2024 | Premier Power Maintenance | CU - 5KV Metal-Clad Switchgear - WPCP | 103,058 |
| 02/15/2024 | Krafft Water Solutions, LLC. | Buchanan St Sewer Separation | 432,077 |
| 02/01/2024 | Bunn Excavating, Inc. | Adams Center Rd Sanitary Sewer Extension | 5,822,021 |
| | | | <u>\$ 8,130,506</u> |
| <u>Stormwater Utility</u> | | | |
| 02/13/2024 | Indiana Michigan Power AEP | Contribution in Aid of Construction for Electric Service | \$ 458,298 |
| 02/01/2024 | Krafft Water Solutions, LLC. | Huffman Ph II Stormwater and Water Main Impr. | 405,288 |
| 01/18/2024 | Krafft Water Solutions, LLC. | McKinnie E. of Hessen Cassel Drainage Impr. | 215,545 |
| | | | <u>\$ 1,079,131</u> |
| <u>Shared</u> | | | |
| 02/13/2024 | ESRI | CU - GIS Consultation & Implementation Services | \$ 238,100 |
| | | | <u>\$ 238,100</u> |

Note 18. Subsequent Events

On March 26, 2024, the Common Council approved FWCU to finance the purchase of various vehicles and equipment items for a not to exceed gross amount of \$1,700,000 and authorized the acceptance of the Lessor, JPMorgan Chase Equipment Finance.

Note 19. Implementation of New Accounting Standard

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* which amends the existing accounting standards for lease reporting. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, a government generally should recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITAs vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources in subsequent financial reporting periods. FWCU adopted the provisions of GASB 96 starting with January 1, 2023, and did not find any reportable SBITAs.

FORT WAYNE CITY UTILITIES
Required Supplementary Information (unaudited)
December 31, 2023

Schedule of Proportionate Share of the Net Pension Liability:

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Proportion of the net pension liability | 0.38 % | 0.41 % | 0.41 % | 0.40 % | 0.40 % | 0.40 % | 0.41 % | 0.45 % | 0.42 % | 0.40 % |
| Proportionate share of the net pension liability | \$13,260,414 | \$12,871,104 | \$ 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 | \$23,620,947 | \$23,487,287 | \$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 | 56.14 % | 54.80 % | 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 | 80.83 % | 82.48 % | 92.51 % | 81.77 % | 80.06 % | 78.89 % | 76.60 % | 75.30 % | 77.30 % | 84.30 % |

Schedule of Contributions for Pension Plan:

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially required contribution | \$ 2,636,732 | \$ 2,612,142 | \$ 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 actuarially required contributions | 2,636,732 | 2,612,142 | 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) | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| Covered payroll | \$23,542,250 | \$23,322,693 | \$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 % | 11.2 % | 11.2 % |

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

FORT WAYNE CITY UTILITIES
Required Supplementary Information (unaudited)
December 31, 2023

Schedule of Changes in Total OPEB Liability:

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|
| Service cost | \$ 428,382 | \$ 663,188 | \$ 647,013 | \$ 495,334 | \$ 417,624 | \$ 587,943 |
| Interest | 631,925 | 325,545 | 327,578 | 543,202 | 630,123 | 887,104 |
| Difference between expected and actual experience | (9,321) | (116,252) | (531) | (2,517,874) | (1,745,425) | — |
| Changes in assumptions | — | (2,149,512) | — | 2,203,003 | 54,393 | — |
| Benefit payments | (965,024) | (900,997) | (1,189,538) | (586,501) | (728,202) | (966,259) |
| Total change in total OPEB liability | 85,962 | (2,178,028) | (215,478) | 137,164 | (1,371,487) | 508,788 |
| Total OPEB liability - beginning | 14,499,700 | 16,677,728 | 16,893,206 | 16,756,042 | 18,127,529 | 17,618,741 |
| Total OPEB liability - ending | <u>\$ 14,585,662</u> | <u>\$ 14,499,700</u> | <u>\$ 16,677,728</u> | <u>\$ 16,893,206</u> | <u>\$ 16,756,042</u> | <u>\$18,127,529</u> |
| Covered-employee payroll | \$ 24,009,436 | \$ 23,423,840 | \$ 22,798,509 | \$ 22,242,448 | \$ 21,422,072 | \$16,268,631 |
| Total OPEB liability as a percentage of covered-employee payroll | 60.75 % | 61.90 % | 73.15 % | 75.95 % | 78.22 % | 111.43 % |

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The schedule is presented as of the measurement date which is one year prior to the current fiscal year.

GASB 75 requires that information be shown for ten years. Until a full ten 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, 2023

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

For the Public Employees Retirement Fund, in 2023, 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.

There were minor changes in economic assumptions in 2023 from the prior year. The discount rate of 6.25 percent remained unchanged, the inflation rate of two percent remained unchanged, and the salary increases remained unchanged from prior year at the range of 2.65 percent to 8.65 percent. For 2023, no cost-of-living adjustment was approved as compared to one percent in the prior year.

Note 2. Financial Reporting - OPEB - Changes in Assumptions

The discount rate of 4.31 percent remained unchanged from prior year for the year ended December 31, 2023. For the year ended December 31, 2022, the discount rate changed from 1.93 percent at the beginning of the measurement period to 4.31 percent at the end of the measurement period. For the year ended December 31, 2021, the discount rate of 1.93 percent remained the same as the prior year. For the year ended December 31, 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 the year ended December 31, 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.