

---

# **City of Fort Wayne Utilities**

**A Division of the  
City of Fort Wayne, Indiana**



**Financial Statements**

**December 31, 2007 & 2006**

---

**CITY OF FORT WAYNE UTILITIES**  
Table of Contents

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-9
FINANCIAL STATEMENTS:	
Statement of Net Assets 2007.....	10
Statement of Net Assets 2006.....	11
Statement of Revenues, Expenses, and Changes in Net Assets 2007.....	12
Statement of Revenues, Expenses, and Changes in Net Assets 2006.....	13
Statement of Cash Flows 2007.....	14
Statement of Cash Flows 2006.....	15
Notes to Financial Statements	16-38

**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765  
Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: www.in.gov/sboa

**INDEPENDENT AUDITORS' REPORT**

**TO: THE OFFICIALS OF THE CITY OF FORT WAYNE UTILITIES, ALLEN COUNTY, INDIANA**

We have audited the accompanying financial statements of each major fund of the City of Fort Wayne Utilities (City Utilities), as of and for the years ended December 31, 2007, and 2006. These statements collectively comprise City Utilities' basic financial statements as listed in the table of contents. These financial statements are the responsibility of City Utilities' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, the respective financial statements referred to above present fairly, in all material respects, the financial position of each major fund of City Utilities as of December 31, 2007 and 2006, and the respective changes in financial position and cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States.

The Management's Discussion and Analysis, as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued a report dated June 26, 2008, on our consideration of City Utilities' compliance with laws and regulations and its internal control structure.

June 26, 2008

STATE BOARD OF ACCOUNTS

*State Board of Accounts*

**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765  
Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: www.in.gov/sboa

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**TO: THE OFFICIALS OF THE CITY OF FORT WAYNE UTILITIES, ALLEN COUNTY, INDIANA**

We have audited the financial statements of the City of Fort Wayne Utilities (City Utilities), as of and for the years ended December 31, 2007, and 2006, and have issued our report thereon dated June 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether City Utilities' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City Utilities' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of City Utilities' management and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

June 26, 2008

STATE BOARD OF ACCOUNTS

*State Board of Accounts*

## Management's Discussion and Analysis

### Introduction

As management of the City of Fort Wayne Utilities (Utilities), we offer readers of the Utilities' financial statements, this narrative overview and analysis of the financial activities of the Utilities for the fiscal years ended December 31, 2007 and 2006. 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 of the Utilities exceeded its liabilities as of December 31, 2007, 2006 and 2005 by \$442.8 million, \$421.1 million and \$405.1 million, respectively.
- The Utilities' net assets increased for the years ended December 31, 2007, 2006 and 2005 by \$21.7 million, \$16.0 million and \$21.2 million, respectively.
- The Utilities' added new bonded debt and long-term notes payable for years ended December 31, 2007, 2006 and 2005 of \$38.2 million, \$68.4 million and \$17.9 million, respectively. The 2007 increase in debt consists of one new Sewer Revenue Bond and additional withdrawals against existing SRF loans.
- The Utilities' invested in capital assets for the years ended December 31, 2007, 2006 and 2005 increased approximately \$47.3 million, \$53.5 million and \$33.0 million, respectively. Significantly, in 2007:
  - Net capital assets passed the half billion dollar milestone.
  - Invested an additional \$13.4 million in the Primaries - phase II of a comprehensive improvement to our wastewater treatment plant. The Primaries' investment has used \$32.0 million of the total \$40 million SRF commitment.
  - In addition to the investment in the Primaries, another \$4.5 million was invested in the Combined Sewer Overflow (CSO) program. The CSO program is an extensive ongoing list of projects that will reduce the volume of discharges directly to the rivers as well as reduce the risk of basement backups. The Primaries upgrade provides additional capacity essential to CSO solutions.

- o Over \$3.5 million was invested in water and sewer main replacement and/or rehabilitation.

## Overview of the Financial Statements

This discussion and analysis is an introduction to the Utilities' basic financial statements. The Utilities are governmental entities classified as enterprise funds, subsets of proprietary funds. When an entity charges a fee to cover the entire cost of its operation, these services are classified as a proprietary fund. And more specifically, when an entity is self-supported completely by providing services to outside customers, it is an enterprise fund. An enterprise fund's financial statements are comprised of three statements and the accompanying notes to these statements. The three statements are: 1) statement of net assets, 2) statement of revenues, expenses and changes in net assets and 3) statement of cash flows. The notes provide additional information that is essential to a full understanding of the data provided in the Utilities' financial statements. The notes can be found on pages 16-38 of this report.

The Utilities provide water, wastewater, stormwater, electric, and yard waste services. The Utilities' financial statements have been prepared to reflect the activity of each of these services. The Electric Utility generation and distribution systems were leased to a private firm in 1975. Portions of the lease payments are directed by Common Council ordinance into the Community Trust.

### City of Fort Wayne Utilities Condensed Statement of Net Assets

	(\$millions)			Variance		Variance	
	December 31			2006-2007		2005-2006	
	2007	2006	2005	\$millions	%	\$millions	%
Net capital assets	\$ 508.6	\$ 474.6	\$ 433.5	\$ 34.0	7.2%	\$ 41.1	9.5%
Other assets	133.4	116.2	80.3	17.2	14.8%	35.9	44.7%
<b>Total assets</b>	<b>642.0</b>	<b>590.8</b>	<b>513.8</b>	<b>51.2</b>	<b>8.7%</b>	<b>77.0</b>	<b>15.0%</b>
Current liabilities	27.6	23.9	19.3	3.7	15.6%	4.6	23.7%
Long term liabilities	171.6	145.8	89.4	25.8	17.7%	56.4	63.2%
<b>Total liabilities</b>	<b>199.2</b>	<b>169.7</b>	<b>108.7</b>	<b>29.5</b>	<b>17.4%</b>	<b>61.0</b>	<b>56.2%</b>
<b>Total net assets</b>	<b>442.8</b>	<b>421.1</b>	<b>405.1</b>	<b>21.7</b>	<b>5.2%</b>	<b>16.0</b>	<b>3.9%</b>
Invested in capital assets, net of related debt	382.7	367.0	346.3	15.7	4.3%	20.7	6.0%
Restricted	110.3	96.8	46.5	13.5	13.9%	50.3	108.4%
Unrestricted	(50.2)	(42.7)	12.3	(7.5)	17.6%	(55.0)	-446.2%
<b>Total net assets</b>	<b>\$ 442.8</b>	<b>\$ 421.1</b>	<b>\$ 405.1</b>	<b>\$ 21.7</b>	<b>5.2%</b>	<b>\$ 16.0</b>	<b>3.9%</b>

	(\$millions)			Variance		Variance	
	Year Ended December 31			2006-2007		2005-2006	
	2007	2006	2005	\$millions	%	\$millions	%
<b>Operating revenues:</b>							
Water service revenues	\$ 30.1	\$ 25.9	\$ 24.9	\$ 4.2	16.4%	\$ 1.0	4.1%
Wastewater service revenues	34.7	28.5	30.8	6.2	21.7%	(2.3)	-7.5%
Stormwater service revenues	9.4	9.4	5.8	(0.0)	0.0%	3.6	61.6%
Electric revenues	1.7	1.8	1.7	(0.1)	-5.5%	0.1	3.7%
Yard Waste revenues	0.1	0.1	0.1	(0.0)	0.0%	0.0	0.0%
<b>Total operating revenues</b>	<b>76.0</b>	<b>65.7</b>	<b>63.3</b>	<b>10.3</b>	<b>15.6%</b>	<b>2.4</b>	<b>3.8%</b>
<b>Operating expenses:</b>							
Water operations	22.3	21.5	20.3	0.8	3.7%	1.2	5.9%
Wastewater operations	22.5	23.1	20.7	(0.6)	-2.6%	2.4	11.7%
Stormwater operations	7.9	6.2	5.5	1.7	27.4%	0.7	13.5%
Electric operations	0.5	0.4	0.4	0.1	25.0%	(0.0)	0.0%
Yard Waste operations	0.1	0.1	0.1	(0.0)	0.0%	(0.0)	0.0%
<b>Total operating expenses</b>	<b>53.3</b>	<b>51.3</b>	<b>47.0</b>	<b>2.0</b>	<b>3.9%</b>	<b>4.3</b>	<b>9.2%</b>
<b>Operating Income</b>	<b>22.7</b>	<b>14.4</b>	<b>16.3</b>	<b>8.3</b>	<b>57.4%</b>	<b>(1.9)</b>	<b>-11.7%</b>
Net nonoperating revenues (expenses)	2.1	1.9	0.9	0.2	10.5%	1.0	112.6%
<b>Income before capital contributions, transfers out and cumulative effect of change in accounting estimate</b>							
	<b>24.8</b>	<b>16.3</b>	<b>17.2</b>	<b>8.5</b>	<b>52.1%</b>	<b>(0.9)</b>	<b>-5.3%</b>
Capital contributions	2.3	4.8	7.6	(2.5)	-52.4%	(2.8)	-36.9%
Transfers out	(4.6)	(5.1)	(3.6)	0.5	-10.1%	(1.5)	41.2%
Cumulative effect of change in accounting estimate	(0.8)	0.0	0.0	(0.8)	-100.0%	0.0	0.0%
<b>Increase in net assets</b>	<b>21.7</b>	<b>16.0</b>	<b>21.2</b>	<b>5.7</b>	<b>35.6%</b>	<b>(5.2)</b>	<b>-24.6%</b>
Net assets - January 1st	421.1	405.1	383.9	16.0	3.9%	21.2	5.5%
<b>Net assets - December 31st</b>	<b>\$ 442.8</b>	<b>\$ 421.1</b>	<b>\$ 405.1</b>	<b>\$ 21.7</b>	<b>5.2%</b>	<b>\$ 16.0</b>	<b>4.0%</b>

## Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a governmental unit's financial health. In the case of the Utilities, assets exceeded liabilities by \$442.8 million, \$ 421.1 million and \$405.1 million as of December 31, 2007, 2006 and 2005, respectively. The largest portion (86.4%) of the Utilities' net assets in 2007 reflects its investment in capital assets (land, buildings, machinery, equipment and distribution and collection infrastructure), less any related debt used to acquire those assets that is still outstanding.

Another significant portion of the Utilities' net assets (\$110.3 million, or 25.0%) represents resources that are subject to external restrictions on how they may be used.

The Utilities net assets increased \$21.7 million, \$16.0 million and \$21.2 million for the years ended December 31, 2007, 2006 and 2005, respectively. Net asset growth in 2007 was more than 2006 by \$5.7 million as follows:

- Operating income in 2007 was \$8.3 million more than 2006. After a lengthy period without a rate increase, water rates generally increased 25% effective September 1, 2006 and sewer rates generally increased 25% effective March 1, 2007. Overall revenues increased \$10.3 million or 15.6%. Expenses increased 3.9%; tracking generally with the overall rate of inflation for 2007.
- Capital contributions in 2007 were \$2.5 million less than 2006. Capital contributions are principally the value of infrastructure donated to the Utilities by local area developers and are down; consistent with the housing market slump.
- Interest income increased in 2007 over 2006 by \$1.1 million as investible cash increased from new debt activity. Interest expense increased nearly \$0.9 million between 2007 and 2006 as outstanding long-term debt increased nearly \$27.2 million.

### **Capital Assets and Capital Improvement Program**

The Utilities total capital assets in service are \$656.9 million with an accumulated depreciation of \$227.4 million for a net book value of \$429.5 million. The statement of net assets also includes \$79.0 million in construction in progress reflecting capital projects in various stages of completion. To continue to deliver high quality services and comply with EPA and other regulatory agencies, the Utilities need to invest in new capital and capital improvement programs. As noted in 2006, the Utilities achieved an important milestone in its completion of the replacement of the preliminary wastewater treatment facility (the Headworks; \$23 million investment). Last year, the Utilities kicked off phase II of a \$32 million Primaries project and that phase is expected to be operational in the 4<sup>th</sup> quarter 2008. The Utilities also made important investments in many other projects, particularly those that reduce the number of Combined Sewer Overflows (CSO's) and the volume of discharges directly to the rivers as well as main replacement/rehab. During 2007, approximately \$45.3 million was spent on capital investments.

The Utilities regularly conduct long-range studies to evaluate service quality and capability. Additional significant investments in capital are anticipated to continue: to replace the preliminary treatment facilities and upgrade the secondary facilities at the Water Pollution Control Plant, to implement projects to reduce the number of CSO's and the volume of discharges directly to the rivers,

to improve Combined Sewer Capacity to reduce the risk of basement backups, to replace six miles of water mains per year, to increase finished water storage capacity and to insure uninterrupted service of finished water through fail-safe security, strategic redundancy and the development of emergency electrical back-up systems for key pump stations and the treatment plants.

## **Debt**

At December 31, 2007, the Utilities had approximately \$182.8 million in bonds and loans payable, an increase of \$27.2 million over last year. A new revenue bond was issued by the Sewer Utility for \$24.2 million in May 2007. Additionally, the Wastewater Utility increased its draw against a \$40.0 million maximum financial assistance agreement with the State of Indiana's Wastewater Revolving Loan Program (2005 SRF) by \$14.1 million, for a total withdrawal-to-date of \$33.9 million. The total proceeds withdrawn from the 2005 SRF are classified as long-term loan payable and, after principal payments, totaled \$30.9 million as of December 31, 2007.

In December 2006, the Water Utility entered into a separate, slightly different SRF agreement referred to as their "Shared Loan Program". Under the "Shared Loan Program," municipalities collectively borrow under the AAA rating of the State of Indiana's creditworthiness. The Water Utility borrowed \$31.9 million under this program at a favorable 3.95% interest rate and reduced debt issuance costs. This debt is also classified as a long-term loan payable.

## **Economic Factors and Next Years Budget and Rates**

- On December 28, 2007, the Utilities tentatively agreed to a Long-Term Control Plan (LTCP), in the form of a federal Consent Decree, which will ultimately bring the Utilities' storm and sanitary sewer system into compliance with the federal Clean Water Act. The Consent Decree became effective April 1, 2008. The Utilities committed to combined sewer overflow reductions that require an approximate investment of \$240.0 million in infrastructure solutions over the next 18 years. The Utilities also agreed to:
  - Eliminate three sanitary sewer overflows by 2014 at an estimate cost of \$31.0 million.
  - Maintain the entire storm and sewer systems to performance standards prescribed in the LTCP.
  - Pay assessed penalties of \$0.8 million in cash and local investments.

The Consent Decree further provides for stipulated penalties for failure to achieve specified construction milestones, reporting deadlines or maintenance objectives. The Utilities are in full compliance with terms and conditions of the Consent Decree.

- Prior to the official filing of the Consent Decree on December 28, 2007, the Utilities invested in plant solutions that will increase the wastewater plant's capacity from the current 60 million gallons per day (mgd) to 85 mgd and will be instrumental in the battle to reduce combined sewer overflows. Over the four years ended in 2005, proceeds from the 2002 SRF loan were used to construct the new Headworks, the first improvement project to upgrade the wastewater treatment plant. The Headworks project replaces and expands the capacity of the 1940's raw wastewater pump station and grit removal facilities. The Headworks successfully went into production in early 2005. In October of 2005, the SRF approved funding for the design and construction of the Primaries, the next improvement project to upgrade the wastewater treatment plant. This phase will rebuild the primary settling tanks (1940's and 1960's construction) at a preliminary estimated cost of \$37.5 million. Construction started last year, investing nearly \$32.0 million in the project by the end of 2007 and will be operational in the 4<sup>th</sup> quarter of 2008.
- The Utilities will continue to pursue the goal to design and construct six miles of water main replacement and five miles of sewer rehabilitation work.
- The Utilities have entered into several local land developer financed water and wastewater main projects over that last five years ended 2007. The developers construct new wastewater and water capacity in newly developing service areas. The collection systems are turned over to the Utilities in exchange for future area sourced connections fees and surcharges (see note 9).
- As noted above, the Utilities have significantly increased its long-term debt to accomplish important and necessary improvements to its plants and its distribution, drainage and collection systems. Debt-to-asset ratios measure financial leverage and the Utilities believe that a ratio over 50% is excess risk. The Utilities' ratios are well below that threshold.

Debt-to-Asset Ratio

<u>Year</u>	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Stormwater Utility</u>	<u>Combined</u>
2007	28.2%	38.7%	11.2%	29.2%
2006	30.2%	32.8%	20.9%	30.0%
2005	13.5%	30.3%	0.0%	19.8%

- Prior to 2006, the Utilities had not had a rate increase since July 2001. Effective September 1, 2006, the Water Utility generally increased its rates 25%. The Sewer Utility generally increased its rates 25% effective March 1, 2007. These rate increases will pay for increased debt service, inflationary increases in expenses, new regulatory compliance costs and additional infrastructure investments. No rate increases are anticipated for 2008.

- In June 2002, the Utilities initiated a condemnation action of Aqua Indiana's North Assets. On February 12, 2008, the Utilities paid Aqua Indiana \$16.9 million and took possession of those condemned assets. The North Assets are now fully integrated with the Utilities' water and sewer system and generating revenues at existing rates from 9,000 new retail water customers and 1,600 new retail sewer customers. Aqua Indiana asserts that the purchase price is inadequate and has sued for unspecified damages. The purchase price was financed by a 12 month Bond Anticipation Note. The Utilities intend to obtain permanent financing if and when the price is either adjusted or confirmed by the courts.

### **Request for Information**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Utilities' finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Controller - City Utilities, City of Fort Wayne Utilities, One Main Street, Room 280, Fort Wayne, IN 46802-1804.

**CITY OF FORT WAYNE UTILITIES**

Statement of Net Assets  
At December 31, 2007

	Water	Wastewater	Stormwater	Electric	Yard Waste	Total 2007
<b>ASSETS</b>						
<b>CURRENT ASSETS:</b>						
Cash and cash equivalents	\$ 193,798	\$ 6,014,972	\$ 3,270,156	\$ 262,711	\$ 179,184	\$ 9,920,821
Receivables:						
Customers, net of allowance for doubtful accounts of \$345,810	2,874,714	4,429,772	1,088,828	-	36,383	8,429,697
Interest	-	101,773	-	-	-	101,773
Due from City of Fort Wayne	257,649	69,295	65,371	-	-	392,315
Interfund receivable	-	-	-	-	-	-
Materials and supplies	1,039,562	45,926	-	-	-	1,085,488
Prepaid expenses	85,384	63,688	990	-	-	150,062
<b>Total current assets</b>	<b>4,451,107</b>	<b>10,725,426</b>	<b>4,425,345</b>	<b>262,711</b>	<b>215,567</b>	<b>20,080,156</b>
<b>NONCURRENT ASSETS:</b>						
Restricted cash and cash equivalents	30,378,301	37,440,495	7,400,966	9,703	-	75,229,465
Restricted investments	-	-	-	35,170,089	-	35,170,089
Advance to City, net of current portion	-	-	-	-	-	-
Prepaid net pension asset	325,605	323,992	156,354	-	-	805,951
Unamortized bond issuance costs	747,023	918,651	344,629	-	-	2,010,303
Assessments receivable	-	149,655	-	-	-	149,655
Capital assets:						
Land	2,583,730	1,101,192	529,202	110,703	-	4,324,827
Distribution and collection	111,319,876	197,648,890	88,361,999	6,098,066	-	403,428,831
Buildings and improvements	41,140,829	69,703,069	2,457,922	1,236,237	68,777	114,606,834
Equipment and other	55,140,222	72,918,000	4,563,958	1,892,328	54,120	134,568,628
Less: Accumulated depreciation	(71,163,566)	(119,118,621)	(28,221,327)	(8,800,107)	(74,050)	(227,377,671)
Plus: Construction in progress	20,474,513	49,553,861	8,997,150	-	-	79,025,524
Net capital assets	159,495,604	271,806,391	76,688,904	537,227	48,847	508,576,973
<b>Total noncurrent assets</b>	<b>190,946,533</b>	<b>310,639,184</b>	<b>84,590,853</b>	<b>35,717,019</b>	<b>48,847</b>	<b>621,942,436</b>
<b>Total assets</b>	<b>\$ 195,397,640</b>	<b>\$ 321,364,610</b>	<b>\$ 89,016,198</b>	<b>\$ 35,979,730</b>	<b>\$ 264,414</b>	<b>\$ 642,022,592</b>
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES:</b>						
Accounts payable	\$ 1,445,314	\$ 2,686,572	\$ 712,599	\$ 9,918	\$ 830	\$ 4,855,233
Due to City of Fort Wayne	695,333	951,146	518,994	-	5,958	2,171,431
Compensated absences payable - current portion	509,928	372,453	139,334	-	871	1,022,586
Other current liabilities	522,195	3,475,124	43,706	5,145	266	4,046,436
Accrued interest payable	174,785	1,741,837	264,318	-	-	2,180,940
Bonds payable - current portion	1,530,000	5,630,000	875,000	-	-	8,035,000
Loans payable - current portion	1,665,000	2,488,000	-	-	-	4,153,000
Customer deposits	1,139,752	-	-	-	-	1,139,752
<b>Total current liabilities</b>	<b>7,682,307</b>	<b>17,345,132</b>	<b>2,553,951</b>	<b>15,063</b>	<b>7,925</b>	<b>27,604,378</b>
<b>NONCURRENT LIABILITIES:</b>						
Bonds payable, net of unamortized bond discount/premium	21,360,180	56,639,035	15,353,281	-	-	93,352,496
Loans payable	28,690,000	48,546,130	-	-	-	77,236,130
Compensated absences payable	649,566	309,171	84,177	-	777	1,043,691
Other long-term liabilities	-	-	-	20,484	-	20,484
<b>Total noncurrent liabilities</b>	<b>50,699,746</b>	<b>105,494,336</b>	<b>15,437,458</b>	<b>20,484</b>	<b>777</b>	<b>171,652,801</b>
<b>Total liabilities</b>	<b>58,382,053</b>	<b>122,839,468</b>	<b>17,991,409</b>	<b>35,547</b>	<b>8,702</b>	<b>199,257,179</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	135,347,784	179,195,034	67,577,317	537,227	48,847	382,706,209
Restricted						
For debt service	441,036	8,436,823	628,901	-	-	9,506,760
For capital projects	28,797,513	29,003,672	6,772,065	-	-	64,573,250
For community trust	-	-	-	35,179,792	-	35,179,792
Unrestricted	(27,570,746)	(18,110,387)	(3,953,494)	227,164	206,865	(49,200,598)
<b>Total net assets</b>	<b>137,015,587</b>	<b>198,525,142</b>	<b>71,024,789</b>	<b>35,944,183</b>	<b>255,712</b>	<b>442,765,413</b>
<b>Total liabilities and net assets</b>	<b>\$ 195,397,640</b>	<b>\$ 321,364,610</b>	<b>\$ 89,016,198</b>	<b>\$ 35,979,730</b>	<b>\$ 264,414</b>	<b>\$ 642,022,592</b>

See accompanying notes to the financial statements.

**CITY OF FORT WAYNE UTILITIES**

Statement of Net Assets  
At December 31, 2006

	<u>Water</u>	<u>Wastewater</u>	<u>Stormwater</u>	<u>Electric</u>	<u>Yard Waste</u>	<u>Total 2006</u>
<b>ASSETS</b>						
<b>CURRENT ASSETS:</b>						
Cash and cash equivalents	\$ 933,421	\$ 814,104	\$ 4,224,361	\$ 247,514	\$ 147,632	\$ 6,367,032
Receivables:						
Customers, net of allowance for doubtful accounts of \$1,843,294	2,910,254	3,468,645	971,754	1,970	20,244	7,372,867
Interest	-	58,568	-	4,461	-	63,029
Due from City of Fort Wayne	222,651	-	-	-	-	222,651
Interfund receivable	-	-	-	196,087	-	196,087
Materials and supplies	907,592	40,056	-	-	-	947,648
Prepaid expenses	<u>76,749</u>	<u>56,511</u>	<u>566</u>	<u>-</u>	<u>-</u>	<u>133,826</u>
Total current assets	<u>5,050,667</u>	<u>4,437,884</u>	<u>5,196,681</u>	<u>450,032</u>	<u>167,876</u>	<u>15,303,140</u>
<b>NONCURRENT ASSETS:</b>						
Restricted cash and cash equivalents	35,689,887	17,525,676	12,793,025	12,928	-	66,021,516
Restricted investments	-	-	-	31,719,632	-	31,719,632
Advance to City, net of current portion	-	-	-	-	-	-
Prepaid net pension asset	494,677	390,637	96,187	-	-	981,501
Unamortized bond issuance costs	845,912	777,415	389,803	-	-	2,013,130
Assessments receivable	-	135,217	-	-	-	135,217
Capital assets:						
Land	2,583,730	1,101,192	199,602	110,703	-	3,995,227
Distribution and collection	106,934,697	191,834,369	83,641,509	5,949,274	-	388,359,849
Buildings and improvements	40,173,514	69,068,638	2,195,810	1,247,480	68,777	112,754,219
Equipment and other	53,295,932	70,862,043	2,538,436	2,205,427	34,840	128,936,678
Less: Accumulated depreciation	(62,260,933)	(116,882,122)	(26,016,903)	(8,773,822)	(56,241)	(213,990,021)
Plus: Construction in progress	<u>13,696,625</u>	<u>34,091,883</u>	<u>6,742,855</u>	<u>-</u>	<u>-</u>	<u>54,531,363</u>
Net capital assets	<u>154,423,565</u>	<u>250,076,003</u>	<u>69,301,309</u>	<u>739,062</u>	<u>47,376</u>	<u>474,587,315</u>
Total noncurrent assets	<u>191,454,041</u>	<u>268,904,948</u>	<u>82,580,324</u>	<u>32,471,622</u>	<u>47,376</u>	<u>575,458,311</u>
Total assets	<u>\$ 196,504,708</u>	<u>\$ 273,342,832</u>	<u>\$ 87,777,005</u>	<u>\$ 32,921,654</u>	<u>\$ 215,252</u>	<u>\$ 590,761,451</u>
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES:</b>						
Accounts payable	\$ 1,598,328	\$ 1,196,760	\$ 539,154	\$ 258	\$ 460	\$ 3,334,961
Due to City of Fort Wayne	599,033	670,371	143,195	4,993	3,747	1,421,339
Compensated absences payable - current portion	523,181	342,282	86,693	1,011	758	953,925
Other current liabilities	787,545	3,223,115	26,987	5,438	220	4,043,305
Accrued interest payable	79,663	1,603,200	277,521	-	-	1,960,384
Bonds payable - current portion	1,480,000	4,705,000	845,000	-	-	7,030,000
Loans payable - current portion	1,545,000	2,408,000	-	-	-	3,953,000
Customer deposits	<u>1,179,111</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,179,111</u>
Total current liabilities	<u>7,791,861</u>	<u>14,148,728</u>	<u>1,918,550</u>	<u>11,700</u>	<u>5,185</u>	<u>23,876,024</u>
<b>NONCURRENT LIABILITIES:</b>						
Bonds payable, net of unamortized bond discount/premium	22,898,408	38,201,218	16,237,887	-	-	77,337,513
Loans payable	30,355,000	36,947,963	-	-	-	67,302,963
Compensated absences payable	678,244	308,062	49,017	1,014	761	1,037,098
Other long-term liabilities	<u>-</u>	<u>91,800</u>	<u>-</u>	<u>21,813</u>	<u>-</u>	<u>113,613</u>
Total noncurrent liabilities	<u>53,931,652</u>	<u>75,549,043</u>	<u>16,286,904</u>	<u>22,827</u>	<u>761</u>	<u>145,791,187</u>
Total liabilities	<u>61,723,513</u>	<u>89,697,771</u>	<u>18,205,454</u>	<u>34,527</u>	<u>5,946</u>	<u>169,667,211</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	132,821,573	168,591,237	64,771,646	739,062	47,376	366,970,894
Restricted						
For debt service	322,476	7,715,967	629,604	-	-	8,668,047
For capital projects	34,188,180	9,809,709	12,163,421	-	-	56,161,310
For community trust	-	-	-	31,933,108	-	31,933,108
Unrestricted	<u>(32,551,034)</u>	<u>(2,471,852)</u>	<u>(7,993,120)</u>	<u>214,957</u>	<u>161,930</u>	<u>(42,639,119)</u>
Total net assets	<u>134,781,195</u>	<u>183,645,061</u>	<u>69,571,551</u>	<u>32,887,127</u>	<u>209,306</u>	<u>421,094,240</u>
Total liabilities and net assets	<u>\$ 196,504,708</u>	<u>\$ 273,342,832</u>	<u>\$ 87,777,005</u>	<u>\$ 32,921,654</u>	<u>\$ 215,252</u>	<u>\$ 590,761,451</u>

See accompanying notes to the financial statements.

**CITY OF FORT WAYNE UTILITIES**  
Statement of Revenues, Expenses, and  
Changes in Net Assets  
For the Year Ended December 31, 2007

	Water	Wastewater	Stormwater	Electric	Yard Waste	Total 2007
<b>OPERATING REVENUES:</b>						
Charges for goods and services	\$ 30,122,226	\$ 34,681,439	\$ 9,386,794	\$ -	\$ 107,590	\$ 74,298,049
Lease revenue	-	-	-	1,740,000	-	1,740,000
<b>Total operating revenues</b>	<b>30,122,226</b>	<b>34,681,439</b>	<b>9,386,794</b>	<b>1,740,000</b>	<b>107,590</b>	<b>76,038,049</b>
<b>OPERATING EXPENSES:</b>						
Personnel services	7,233,698	5,411,306	1,424,924	-	2,232	14,072,160
Contractual services	1,319,464	1,998,063	154,695	-	6,453	3,478,675
Utilities	1,189,660	1,225,070	-	-	-	2,414,729
Chemicals	1,999,120	379,854	-	-	-	2,378,974
Administrative services	2,929,208	3,978,073	2,338,616	15,879	27,821	9,289,597
Other supplies/services	2,645,553	2,496,946	2,350,762	279,415	20,651	7,793,328
Depreciation	4,963,183	7,000,224	1,679,839	201,834	5,727	13,850,807
<b>Total operating expenses</b>	<b>22,279,886</b>	<b>22,489,536</b>	<b>7,948,836</b>	<b>497,128</b>	<b>62,884</b>	<b>53,278,270</b>
<b>Operating income</b>	<b>7,842,340</b>	<b>12,191,903</b>	<b>1,437,958</b>	<b>1,242,872</b>	<b>44,706</b>	<b>22,759,779</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Investment income	1,643,504	1,459,392	786,714	3,017,852	-	6,907,462
Interest expense	(1,574,870)	(2,460,701)	(530,110)	-	-	(4,565,681)
Amortization of debt issuance costs	(112,572)	(119,883)	(45,173)	-	-	(277,628)
Other revenues (expenses)	-	-	-	(41,168)	-	(41,168)
<b>Total nonoperating revenues (expenses)</b>	<b>(43,938)</b>	<b>(1,121,192)</b>	<b>211,431</b>	<b>2,976,684</b>	<b>-</b>	<b>2,022,985</b>
<b>Income before capital contributions and transfers</b>	<b>7,798,402</b>	<b>11,070,711</b>	<b>1,649,389</b>	<b>4,219,556</b>	<b>44,706</b>	<b>24,782,764</b>
Capital contributions	1,340,779	512,650	408,092	-	-	2,261,521
Transfers in (out)	(1,345,437)	(887,414)	(1,211,794)	(1,162,500)	-	(4,607,145)
<b>Change in net assets before cumulative effect of change in accounting estimate</b>	<b>7,793,744</b>	<b>10,695,947</b>	<b>845,687</b>	<b>3,057,056</b>	<b>44,706</b>	<b>22,437,140</b>
<b>Cumulative effect of change in accounting estimate (see note 7)</b>	<b>(5,559,352)</b>	<b>4,184,134</b>	<b>607,551</b>	<b>-</b>	<b>1,700</b>	<b>(765,967)</b>
<b>Change in net assets after cumulative effect of change in accounting estimate</b>	<b>2,234,392</b>	<b>14,880,081</b>	<b>1,453,238</b>	<b>3,057,056</b>	<b>46,406</b>	<b>21,671,173</b>
<b>Total net assets-beginning of year</b>	<b>134,781,195</b>	<b>183,645,061</b>	<b>69,571,551</b>	<b>32,887,127</b>	<b>209,306</b>	<b>421,094,240</b>
<b>Total net assets-end of year</b>	<b>\$ 137,015,587</b>	<b>\$ 198,525,142</b>	<b>\$ 71,024,789</b>	<b>\$ 35,944,183</b>	<b>\$ 255,712</b>	<b>\$ 442,765,413</b>

See accompanying notes to the financial statements.

**CITY OF FORT WAYNE UTILITIES**  
Statement of Revenues, Expenses, and  
Changes in Net Assets  
For the Year Ended December 31, 2006

	<u>Water</u>	<u>Wastewater</u>	<u>Stormwater</u>	<u>Electric</u>	<u>Yard Waste</u>	<u>Total 2006</u>
<b>OPERATING REVENUES:</b>						
Charges for goods and services	\$ 25,849,920	\$ 28,495,423	\$ 9,440,089	\$ 55,930	\$ 132,850	\$ 63,974,212
Lease revenue	-	-	-	1,740,000	-	1,740,000
Total operating revenues	<u>25,849,920</u>	<u>28,495,423</u>	<u>9,440,089</u>	<u>1,795,930</u>	<u>132,850</u>	<u>65,714,212</u>
<b>OPERATING EXPENSES:</b>						
Personnel services	6,682,786	5,150,386	1,496,308	-	63,529	13,393,009
Contractual services	1,515,605	1,967,341	167,665	-	3,524	3,654,135
Utilities	990,765	1,185,279	-	-	-	2,176,044
Chemicals	1,771,089	345,452	-	-	-	2,116,541
Administrative services	3,820,519	4,067,663	908,820	6,984	26,470	8,830,456
Other supplies/services	2,279,857	2,077,241	2,146,864	188,908	12,478	6,705,348
Depreciation	4,501,390	8,292,300	1,471,922	201,900	4,628	14,472,140
Total operating expenses	<u>21,562,011</u>	<u>23,085,662</u>	<u>6,191,579</u>	<u>397,792</u>	<u>110,629</u>	<u>51,347,673</u>
Operating income	<u>4,287,909</u>	<u>5,409,761</u>	<u>3,248,510</u>	<u>1,398,138</u>	<u>22,221</u>	<u>14,366,539</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Investment income	415,482	1,114,398	912,344	3,400,442	-	5,842,666
Interest expense	(454,241)	(2,611,350)	(559,467)	-	-	(3,625,058)
Amortization of debt issuance costs	(81,358)	(121,878)	(39,430)	-	-	(242,666)
Other revenues (expenses)	-	-	-	(40,180)	-	(40,180)
Total nonoperating revenues (expenses)	<u>(120,117)</u>	<u>(1,618,830)</u>	<u>313,447</u>	<u>3,360,262</u>	<u>-</u>	<u>1,934,762</u>
Income before capital contributions and transfers	4,167,792	3,790,931	3,561,957	4,758,400	22,221	16,301,301
Capital contributions	2,132,276	1,802,980	876,966	-	-	4,812,222
Transfers in (out)	<u>(1,087,447)</u>	<u>(5,608,884)</u>	<u>3,815,799</u>	<u>(2,244,466)</u>	<u>-</u>	<u>(5,124,998)</u>
Change in net assets	5,212,621	(14,973)	8,254,722	2,513,934	22,221	15,988,525
Total net assets-beginning of year	<u>129,568,574</u>	<u>183,660,034</u>	<u>61,316,829</u>	<u>30,373,193</u>	<u>187,085</u>	<u>405,105,715</u>
Total net assets-end of year	<u>\$ 134,781,195</u>	<u>\$ 183,645,061</u>	<u>\$ 69,571,551</u>	<u>\$ 32,887,127</u>	<u>\$ 209,306</u>	<u>\$ 421,094,240</u>

See accompanying notes to the financial statements.

**CITY OF FORT WAYNE UTILITIES**  
Statement of Cash Flows  
For the Year Ended December 31, 2007

	Water	Wastewater	Stormwater	Electric	Yard Waste	Total 2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipts from customers	\$ 30,134,616	\$ 35,107,752	\$ 9,218,811	\$ -	\$ 91,451	\$ 74,552,630
Receipts from leases	-	-	-	1,740,000	-	1,740,000
Payments to suppliers	(10,885,766)	(7,177,878)	(4,064,760)	(290,456)	(52,169)	(22,471,029)
Payments to employees	(7,135,563)	(5,318,162)	(1,422,318)	(3,817)	(2,232)	(13,882,092)
Other receipts (payments)	16,618	(1,417,575)	(75,053)	-	-	(1,476,010)
Net cash provided by operating activities	<u>12,129,905</u>	<u>21,194,137</u>	<u>3,656,680</u>	<u>1,445,727</u>	<u>37,050</u>	<u>38,463,499</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Transfers out	<u>(1,345,437)</u>	<u>(2,099,208)</u>	-	<u>(1,162,500)</u>	-	<u>(4,607,145)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Acquisition and construction of capital assets	(13,251,733)	(22,804,668)	(9,287,964)	-	(5,498)	(45,349,863)
Proceeds from long-term debt	-	38,241,167	-	-	-	38,241,167
Bond discount & premium addition	-	(31,409)	-	-	-	(31,409)
Interest paid on long-term debt	(2,188,766)	(3,426,400)	(656,694)	-	-	(6,271,860)
Debt issuance costs	(13,682)	(261,119)	-	-	-	(274,801)
Principal paid on long-term debt	<u>(3,025,000)</u>	<u>(7,113,000)</u>	<u>(845,000)</u>	-	-	<u>(10,983,000)</u>
Net cash used by capital and related financing activities	<u>(18,479,181)</u>	<u>4,604,571</u>	<u>(10,789,658)</u>	-	<u>(5,498)</u>	<u>(24,669,766)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Purchase of investments	-	-	-	(5,147,376)	-	(5,147,376)
Sale of investments	-	-	-	2,283,018	-	2,283,018
Investment income received	1,643,504	1,416,187	786,714	2,593,102	-	6,439,507
Net cash provided (used) by investing activities	<u>1,643,504</u>	<u>1,416,187</u>	<u>786,714</u>	<u>(271,256)</u>	-	<u>3,575,149</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(6,051,209)	25,115,687	(6,346,264)	11,971	31,552	12,761,737
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>36,623,308</u>	<u>18,339,780</u>	<u>17,017,386</u>	<u>260,443</u>	<u>147,632</u>	<u>72,388,549</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 30,572,099</u>	<u>\$ 43,455,467</u>	<u>\$ 10,671,122</u>	<u>272,414</u>	<u>\$ 179,184</u>	<u>85,150,286</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>						
Operating income	7,842,340	12,191,903	1,437,958	1,242,872	44,706	22,759,779
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	4,963,183	7,000,224	1,679,839	201,834	5,727	13,850,807
Loss on sale of fixed assets	-	-	-	-	-	-
Provision for doubtful accounts	(11,849)	(1,471,174)	(14,462)	-	-	(1,497,485)
Changes in assets and liabilities:						
Receivables	12,390	426,313	(167,983)	-	(16,139)	254,581
Other assets	28,467	53,599	(60,591)	-	-	21,475
Accounts payable and other liabilities	(704,626)	2,993,272	781,919	1,021	2,756	3,074,342
Net cash provided by operating activities	<u>\$ 12,129,905</u>	<u>\$ 21,194,137</u>	<u>\$ 3,656,680</u>	<u>1,445,727</u>	<u>\$ 37,050</u>	<u>38,463,499</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>						
Fixed assets included in accounts payable	\$ 699,138	\$ 1,748,982	\$ 618,287	-	\$ -	3,066,407
Fixed asset contributions	1,340,778	512,650	408,092	-	-	2,261,520
Interfund fixed asset contribution	-	1,211,794	(1,211,794)	-	49,733	49,733
Capitalized interest added to fixed assets	700,790	1,048,562	113,132	-	-	1,862,484
Unrealized gain on investments	-	-	-	586,098	-	586,098

See accompanying notes to the financial statements.

**CITY OF FORT WAYNE UTILITIES**

Statement of Cash Flows  
For the Year Ended December 31, 2006

	<u>Water</u>	<u>Wastewater</u>	<u>Stormwater</u>	<u>Electric</u>	<u>Yard Waste</u>	<u>Total 2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipts from customers	\$ 25,511,963	\$ 28,383,658	\$ 9,068,638	\$ 269,949	\$ 132,212	\$ 63,366,420
Receipts from leases	-	-	-	1,740,000	-	1,740,000
Payments to suppliers	(10,442,844)	(9,404,121)	(2,664,726)	(211,427)	(42,336)	(22,765,454)
Payments to employees	(6,720,349)	(5,152,091)	(1,494,736)	5,016	(63,529)	(13,425,689)
Other receipts (payments)	<u>9,287</u>	<u>275,060</u>	<u>4,248</u>	<u>-</u>	<u>-</u>	<u>288,595</u>
Net cash provided by operating activities	<u>8,358,057</u>	<u>14,102,506</u>	<u>4,913,424</u>	<u>1,803,538</u>	<u>26,347</u>	<u>29,203,872</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Transfers out	<u>(1,087,447)</u>	<u>(1,793,085)</u>	<u>-</u>	<u>(2,244,466)</u>	<u>-</u>	<u>(5,124,998)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Acquisition and construction of capital assets	(10,998,474)	(31,456,762)	(7,167,777)	-	-	(49,623,013)
Proceeds from long-term debt	31,900,000	19,566,483	17,000,000	-	-	68,466,483
Bond discount & premium addition	-	-	91,271	-	-	91,271
Interest paid on long-term debt	(1,017,891)	(2,910,626)	(292,322)	-	-	(4,220,839)
Debt issuance costs	(321,578)	-	(429,233)	-	-	(750,811)
Principal paid on long-term debt	<u>(2,000,000)</u>	<u>(6,844,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,844,000)</u>
Net cash used by capital and related financing activities	<u>17,562,057</u>	<u>(21,644,905)</u>	<u>9,201,939</u>	<u>-</u>	<u>-</u>	<u>5,119,091</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Purchase of investments	-	-	-	(7,839,727)	-	(7,839,727)
Sale of investments	-	-	-	4,541,128	-	4,541,128
Investment income received	<u>422,257</u>	<u>1,070,648</u>	<u>913,602</u>	<u>2,633,249</u>	<u>-</u>	<u>5,039,756</u>
Net cash provided (used) by investing activities	<u>422,257</u>	<u>1,070,648</u>	<u>913,602</u>	<u>(665,350)</u>	<u>-</u>	<u>1,741,157</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>25,254,924</b>	<b>(8,264,836)</b>	<b>15,028,965</b>	<b>(1,106,278)</b>	<b>26,347</b>	<b>30,939,122</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>11,368,384</u>	<u>26,604,616</u>	<u>1,988,421</u>	<u>1,366,720</u>	<u>121,285</u>	<u>41,449,426</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 36,623,308</u>	<u>\$ 18,339,780</u>	<u>\$ 17,017,386</u>	<u>\$ 260,442</u>	<u>\$ 147,632</u>	<u>\$ 72,388,548</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>						
Operating income	4,287,909	5,409,761	3,248,510	1,398,138	22,221	14,366,539
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	4,501,390	8,292,300	1,471,922	201,900	4,628	14,472,140
Loss on sale of fixed assets	-	-	-	21,904	-	21,904
Provision for doubtful accounts	30,083	296,039	18,798	-	-	344,920
Changes in assets and liabilities:						
Receivables	(337,958)	(111,765)	(371,451)	192,115	(638)	(629,697)
Other assets	(20,796)	(20,979)	(14,551)	-	-	(56,326)
Accounts payable and other liabilities	<u>(102,571)</u>	<u>237,150</u>	<u>560,196</u>	<u>(10,519)</u>	<u>136</u>	<u>684,392</u>
Net cash provided by operating activities	<u>\$ 8,358,057</u>	<u>\$ 14,102,506</u>	<u>\$ 4,913,424</u>	<u>\$ 1,803,538</u>	<u>\$ 26,347</u>	<u>\$ 29,203,872</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>						
Fixed assets included in accounts payable	\$ 1,000,409	\$ 717,786	\$ 490,132	\$ -	\$ -	\$ 2,208,327
Fixed asset contributions	2,132,276	1,802,980	876,966	-	-	4,812,222
Interfund fixed asset contribution	-	(3,815,799)	3,815,799	-	-	-
Capitalized interest added to fixed assets	604,336	854,695	-	-	-	1,459,031
Unrealized gain on investments	-	-	-	727,013	-	727,013

See accompanying notes to the financial statements.

## **CITY OF FORT WAYNE UTILITIES**

Notes to Financial Statements

December 31, 2007 and 2006

### **(1) Nature of Operations and Significant Accounting Policies**

#### Financial Reporting Entity

The City of Fort Wayne Utilities (the Utilities) are included in the City of Fort Wayne, Indiana reporting entity pursuant to the entity definition criteria contained in the Governmental Accounting Standards Board (GASB) Statement 14.

The Utilities consist of Water, Wastewater, Stormwater, and Electric utilities in addition to the Yard Waste facility. All five areas are considered proprietary in nature. The electric utility generation and distribution systems were leased to a private firm in 1975.

#### Basis of Accounting and Financial Reporting

The Utilities prepare their 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 Utilities elected, under GASB Statement 20, not to apply statements issued by the Financial Accounting Standards Board (FASB) after November 30, 1989.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

#### Cash Equivalents

For purposes of the combined statement of cash flows, the Utilities consider 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 short-term (less than one year), highly liquid investments (i.e. Certificates of Deposit, U.S. Treasury Securities, etc.), which are reported at cost or amortized cost.

#### Restricted Assets

Restricted assets are assets restricted by bond indentures and other legal requirements for debt retirement, capital improvements and refunds of customer deposits.

## CITY OF FORT WAYNE UTILITIES

Notes to Financial Statements  
December 31, 2007 and 2006

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

### Capital Assets

Property, plant and equipment are recorded at cost, which includes interest incurred during construction periods. Donated property, plant and equipment are recorded at their estimated fair value at the date of donation. The cost 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 calculated depreciation results in a recognized gain or loss.

In 2007, Water, Wastewater, Stormwater and Yard Utilities' assets are depreciated by individual asset and Electric Utility's assets not under lease are depreciated using the group method. In 2006, Water, Wastewater, Stormwater, and Electric Utilities' assets not under lease are depreciated using the group method. Depreciation of leased Electric Utility assets is calculated annually by dividing net assets by the years remaining on the 35-year lease.

Estimated useful lives, in years, are as follows:

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Stormwater Utility</u>	<u>Electric Utility</u>	<u>Yard Waste Facility</u>
Buildings and improvements	25-44	25-44	--	35	20
Equipment and other	7-67	7-67	7-67	10-35	6-12
Distribution and collection	67	67	67	--	--

Net interest cost incurred on borrowed funds for the Water, Wastewater and Stormwater Utilities is capitalized as a component of the cost of construction. Net interest capitalized for the Water Utility was \$700,790 and \$604,336 in 2007 and 2006, respectively. Net interest capitalized for the Wastewater Utility was \$1,048,562 and \$854,695 in 2007 and 2006, respectively. Net interest capitalized for the Stormwater Utility was \$113,132 in 2007.

### Unbilled Utility Revenue

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

### Materials and Supplies

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

## **CITY OF FORT WAYNE UTILITIES**

Notes to Financial Statements

December 31, 2007 and 2006

### Bond Issuance Costs, Discounts and Premiums

Bond issuance costs, discounts and premiums are amortized over the lives of the respective bond issues using the interest method.

### Compensated Absences

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

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

Unused sick leave may be carried over from year to year. City employees must have completed ten years of service to receive payment for unused sick leave. Unused sick leave payoffs are calculated as follows: (1) \$1.00 for each hour up to 520 hours, plus (2) 50% of the employee's normal straight time hourly rate times each sick leave hour over 520. In lieu of item "2" above, the employee may receive credit at the rate of 100% of the employee's normal straight time hourly rate for each sick leave hour over 520 if used to purchase group health insurance; with any remaining hours paid to the employee at the rate of 50% of employee's normal straight time hourly rate. There is a \$25,000 limit on the amount paid for sick time accrual. Council approved exceptions to this limit in 2000. The liability recorded for unused sick leave is an estimate based on prior experience of the actual payoff method chosen.

### Classification of Revenue

The Utilities have classified their revenue as either operating or nonoperating according to the following criteria:

- Operating revenues include activities that have the characteristics of exchange transactions, such as customer charges and lease payments.
- 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 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting, and GASB Statement 34, such as investment income.

**CITY OF FORT WAYNE UTILITIES**

Notes to Financial Statements

December 31, 2007 and 2006

Reclassifications

Certain reclassifications have been made to the 2006 financial statements to conform to the 2007 presentation. The reclassifications had no effect on the results of the operations.

**(2) Deposits and Investments**

Deposits

The Utilities' deposits with financial institutions at year-end were entirely insured by federal depository insurance or by the Indiana Public Deposits Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

Investments

Authorization for investment activity is stated in Indiana Code IC 5-13. The Utilities had the following investments at December 31, 2007 and 2006.

**December 31, 2007**

	Investment Maturities (in years)	
	Fair Value	Less than one
Mutual Funds	<u>\$35,170,089</u>	<u>\$35,170,089</u>

**December 31, 2006**

	Investment Maturities (in years)	
	Fair Value	Less than one
Mutual Funds	<u>\$31,719,632</u>	<u>\$31,719,632</u>

Investment Policies

Indiana Code 5-13-9 authorizes the Utilities to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the Utilities to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than 2 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

## CITY OF FORT WAYNE UTILITIES

Notes to Financial Statements

December 31, 2007 and 2006

under the provision of the federal Investment Company act of 1940, as amended. Investments in money market mutual funds may not exceed fifty percent (50%) of the funds held by the Utilities and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States, obligations issued by a federal agency, a federal instrumentality, 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 of 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 (1) day.

The Community Trust, which invests in a variety of securities and mutual funds, is not subject to the requirements of Indiana Statutes governing authorized investments.

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Utilities do not have a formal investment policy that limits investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates.

### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Utilities do not have a formal investment policy for credit risk. The distribution of securities with credit ratings is summarized below.

<u>Morningstar Rating</u>	<u>2007</u>	<u>2006</u>
Below Average	\$ 1,789,040	\$ 8,610,946
Average	12,311,665	961,118
Above Average	15,156,620	14,199,305
High	--	2,887,765
Not Rated	<u>5,912,764</u>	<u>5,060,498</u>
Total	<u>\$35,170,089</u>	<u>\$31,719,632</u>

## **CITY OF FORT WAYNE UTILITIES**

Notes to Financial Statements

December 31, 2007 and 2006

### 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 issuer. The Utilities do not have a policy in regards to concentration of credit risk. U.S. government and U.S. government agency securities are exempt from this policy requirement.

### Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Utilities will not be able to recover the value of their investment or collateral securities that are in the possession of an outside party. The Utilities do not have a policy in regards to custodial credit risk.

### Foreign Currency Risk

This risk relates to adverse affects on the fair value of an investment from changes in exchange rates. The Utilities' exposure to foreign currency risk derives from their investment at December 31, 2007 in a foreign bond mutual fund with a fair value of \$1,789,040 and at December 31, 2006 in a foreign bond mutual fund with a fair value of \$1,584,021. The Utilities do not have a policy in regards to foreign currency risk.

### Other

Under the City's cash management program, the Utilities participate in pooled cash account arrangements for some of their cash and investment activities. Interfund borrowing is shown as interfund receivables/payables in the accompanying financial statements. Interest income is allocated to accounts with positive balances.

**CITY OF FORT WAYNE UTILITIES**

Notes to Financial Statements

December 31, 2007 and 2006

**(3) Restricted Assets**

Restricted assets consisted of the following at December 31, 2007:

	<u>Water</u> <u>Utility</u>	<u>Wastewater</u> <u>Utility</u>	<u>Stormwater</u> <u>Utility</u>	<u>Electric</u> <u>Utility</u>	<u>Total</u>
Cash and cash equivalents:					
Sinking fund account	\$ 441,036	\$ 8,436,823	\$ 628,901	\$ --	\$ 9,506,760
Construction account	28,350,337	19,773,157	6,772,065	--	54,895,559
Replacement account	--	5,571,609	--	--	5,571,609
Customer deposits	1,139,752	--	--	--	1,139,752
Connection fees	--	3,658,906	--	--	3,658,906
Tank painting	447,176	--	--	--	447,176
Community Trust	<u>    --</u>	<u>    --</u>	<u>    --</u>	<u>    9,703</u>	<u>    9,703</u>
Total	<u>\$ 30,378,301</u>	<u>\$ 37,440,495</u>	<u>\$ 7,400,966</u>	<u>\$ 9,703</u>	<u>\$ 75,229,465</u>
Investments					
Community Trust	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 35,170,089</u>	<u>\$ 35,170,089</u>

Restricted assets consisted of the following at December 31, 2006:

	<u>Water</u> <u>Utility</u>	<u>Wastewater</u> <u>Utility</u>	<u>Stormwater</u> <u>Utility</u>	<u>Electric</u> <u>Utility</u>	<u>Total</u>
Cash and cash equivalents:					
Sinking fund account	\$ 322,476	\$ 7,715,967	\$ 629,604	\$ --	\$ 8,668,047
Construction account	33,831,004	--	12,163,421	--	45,994,425
Replacement account	--	6,657,609	--	--	6,657,609
Customer deposits	1,179,231	--	--	--	1,179,231
Connection fees	--	3,152,100	--	--	3,152,100
Tank painting	357,176	--	--	--	357,176
Community Trust	<u>    --</u>	<u>    --</u>	<u>    --</u>	<u>    12,928</u>	<u>    12,928</u>
Total	<u>\$ 35,689,887</u>	<u>\$ 17,525,676</u>	<u>\$ 12,793,025</u>	<u>\$ 12,928</u>	<u>\$ 66,021,516</u>
Investments					
Community Trust	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 31,719,632</u>	<u>\$ 31,719,632</u>

## **CITY OF FORT WAYNE UTILITIES**

Notes to Financial Statements

December 31, 2007 and 2006

### Sinking Fund Accounts

The Sewage Works Junior Revenue Bonds of 1998, A and B Series require monthly deposits into a sinking fund account of net revenues of the Wastewater Utility in an amount equal to at least 1/12 of the following calendar year's principal and interest payments. In addition, a 10% surplus of monthly deposits is required. An amount equal to the maximum annual principal and interest requirements is also required to be paid into this account, nominally titled the Sewage Works Reserve Account.

The Sewage Works Junior Revenue Refunding Bonds of 2002 A, B, C, 2003, 2005 and 2007 Series require monthly deposits into a sinking fund account of Wastewater Utility net revenues in an amount equal to at least 1/12 of the following calendar year's principal and interest payments. In addition, a 10% surplus of monthly deposits is required. Surety bonds purchased by the Utilities cover the Sewer Works Reserve Account requirements.

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 the Utilities cover the Waterworks and Stormwater Reserve Accounts requirements.

### Construction Account

Unspent bond issue proceeds to be used in the construction of designated capital assets.

### Replacement Account

This account, required by the Environmental Protection Agency, exists to provide resources to maintain the capacity and performance of the property of the Wastewater Utility. In 1991, the Indiana Department of Environmental Management concluded that the account was underfunded. The Wastewater Utility agreed to fund the account over the remaining life of the equipment acquired under the grant. It was anticipated the desired balance of \$6,880,000 would be fully funded by December 31, 1997. However, the City Council capped the account at \$6,657,609 as of June 10, 1997. In 2007, the Wastewater Utility spent \$1,086,000 from this Replacement Account. The Account will be replenished from future operating revenues on a annual straight-line basis over the useful life of the assets acquired.

### Depreciation Account

The Water Utility is required to maintain a Depreciation Account in an amount not less than \$1,000,000. However, in the event moneys are withdrawn from the Depreciation Account leaving a balance of less than \$1,000,000, the deficiency shall be restored within eighteen

## **CITY OF FORT WAYNE UTILITIES**

Notes to Financial Statements

December 31, 2007 and 2006

months. On December 31, 2007, the Water Utility's Operating Fund borrowed \$1,000,000 from the Depreciation Account, leaving no monies in the Depreciation Account.

### **Customer Deposits**

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

### **Connection Fees**

Resources from specific area connection fees to be used for future development costs in those specific areas are accumulated in this account.

### **Tank Painting**

Resources for elevated tank painting maintenance are accumulated in this account.

### **(4) Assessments Receivable**

Assessments receivable represent assessments due from customers for sewer connections. A significant portion of the individual assessments range from \$2,000 to \$2,500 and are due in 120 monthly principal installments plus interest on the unpaid portion at 7% per year.

### **(5) Community Trust**

The City Council established the Community Trust in 1975 to account for a portion of the proceeds received from a private utility leasing the assets of the Electric Utility (see Note 6). The Community Trust receives \$270,000 annually from rents in addition to income earned on the investment of the funds. The funds are meant to enable the City to reclaim its Electric Utility by reimbursing the private utility for additions and extensions upon default of its obligations under the lease or upon termination of the lease.

Under the provisions of the ordinance, the corpus of the trust is to be free from invasion as long as the lease is in force. However, as long as certain provisions are met, including approval by the citizens of Fort Wayne, the City Council has the ability to amend this ordinance and permit invasion of the trust corpus.

**CITY OF FORT WAYNE UTILITIES**

Notes to Financial Statements

December 31, 2007 and 2006

**(6) Lease of Electric Utility**

The Electric Utility has leased its entire utility system, including power plant, substations, and transmissions and distribution system, to a private electric utility serving the surrounding area. The lease term commenced March 1, 1975, and expires 35 years later in February 2010. There is a 15-year renewal option at that time. Lease payments of \$1,740,000 and \$1,740,000 were received for the years ended December 31, 2007 and 2006, respectively. The following table shows rental income on the noncancelable lease for the term of the lease:

<u>Annual Amount</u>	<u>Five –Year Period</u>	<u>Five –Year Totals</u>	<u>Received</u>	<u>Future Rentals</u>
\$1,440,000	3/1/75 to 2/29/80	\$ 7,200,000	\$ 7,200,000	\$ --
1,490,000	3/1/80 to 2/28/85	7,450,000	7,450,000	--
1,540,000	3/1/85 to 2/28/90	7,700,000	7,700,000	--
1,590,000	3/1/90 to 2/28/95	7,950,000	7,950,000	--
1,640,000	3/1/95 to 2/28/00	8,200,000	8,200,000	--
1,690,000	3/1/00 to 2/28/05	8,450,000	8,450,000	--
1,740,000	3/1/05 to 2/25/10	<u>8,700,000</u>	<u>4,930,000</u>	<u>3,770,000</u>
	Totals	<u>\$55,650,000</u>	<u>\$51,880,000</u>	<u>\$ 3,770,000</u>

Under the terms of the agreement, the lessee may make improvements and retire assets in the system as long as such improvements and retirements do not exceed 5% of the original cost of the leased property in any one given year. The City of Fort Wayne Common Council must approve amounts in excess of 5% in any year. Depreciation expense for the leased assets was \$201,834 and \$201,900 for 2007 and 2006, respectively. Upon termination of the lease, the Electric Utility has the first option to purchase those improvements at a cost of approximately net book value.

A historical cost summary of the Electric Utility Plant at December 31, 2007:

	<u>Utility Plant on Operating Lease</u>	<u>Other</u>	<u>Total</u>
Land	\$ 69,102	\$ 41,601	\$ 110,703
Buildings and improvements	199,965	1,036,272	1,236,237
Equipment	1,736,353	155,975	1,892,328
Distribution and collection	<u>6,098,066</u>	<u>--</u>	<u>6,098,066</u>
Gross capital assets	8,103,486	1,233,848	9,337,334
Less:			
Accumulated depreciation	<u>(7,659,739)</u>	<u>(1,140,368)</u>	<u>(8,800,107)</u>
Net capital assets	<u>\$ 443,747</u>	<u>\$ 93,480</u>	<u>\$ 537,227</u>

**CITY OF FORT WAYNE UTILITIES**

Notes to Financial Statements

December 31, 2007 and 2006

A historical cost summary of the Electric Utility Plant at December 31, 2006:

	<u>Utility Plant on Operating Lease</u>	<u>Other</u>	<u>Total</u>
Land	\$ 69,102	\$ 41,601	\$ 110,703
Buildings and improvements	211,208	1,036,272	1,247,480
Equipment	2,049,452	155,975	2,205,427
Distribution and collection	<u>5,949,274</u>	<u>--</u>	<u>5,949,274</u>
Gross capital assets	8,279,036	1,233,848	9,512,884
Less:			
Accumulated depreciation	<u>(7,648,051)</u>	<u>(1,125,771)</u>	<u>(8,773,822)</u>
Net capital assets	<u>\$ 630,985</u>	<u>\$ 108,077</u>	<u>\$ 739,062</u>

**(7) Change in Accounting Estimate**

Effective January 1, 2007, the Utilities changed their method of depreciation from a group method to an individual asset straight-line method. The group method, while simpler to maintain, did not properly account for newly purchased assets nested in aging asset pools nor did it properly account for the partial retirement of aging infrastructure. The cumulative effect of the change in method of depreciation as of January 1, 2007 is as follows:

	<u>Increase (decrease) net assets</u>				
	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Stormwater Utility</u>	<u>Yard Waste Fund</u>	<u>Total</u>
Cumulative effect of change in accounting estimate as of January 1, 2007	(\$5,559,352)	\$4,184,134	\$607,551	\$1,700	(\$765,967)

The Electric Utility was not affected by the change in the method of depreciation.

**CITY OF FORT WAYNE UTILITIES**

Notes to Financial Statements

December 31, 2007 and 2006

**(8) Capital Assets**

The following changes occurred in capital assets during the years ended December 31:

	Balance		Disposals	Adjustments/		Balance
	Jan. 1, 2007	Additions		Transfers	Restatement	
<b>2007</b>						
Land	\$ 3,995,227	\$ --	\$ --	\$ 329,600	\$ --	\$ 4,324,827
Distribution and collection	388,359,849	172,141	201,609	15,098,962	(512)	403,428,831
Buildings and improvement	112,754,219	10,085	11,243	1,853,773	--	114,606,834
Equipment and other	128,936,678	4,223,338	1,209,632	2,618,169	75	134,568,628
Construction in progress	<u>54,531,363</u>	<u>44,612,583</u>	<u>--</u>	<u>(20,118,422)</u>	<u>--</u>	<u>79,025,524</u>
	688,577,336	49,018,147	1,422,484	(217,918)	(437)	735,954,644
Less accumulated depreciation:						
Distribution and collection	99,929,277	6,000,646	199,298	105	289,532	106,020,262
Buildings and improvement	45,377,450	2,489,891	11,243	(861,602)	1,100,589	48,095,085
Equipment and other	<u>68,683,294</u>	<u>4,985,884</u>	<u>968,366</u>	<u>1,186,103</u>	<u>(624,591)</u>	<u>73,262,324</u>
	<u>213,990,021</u>	<u>13,476,421</u>	<u>1,178,907</u>	<u>324,606</u>	<u>765,530</u>	<u>227,377,671</u>
Net Capital Assets	<u>\$474,587,315</u>	<u>\$35,541,726</u>	<u>\$ 243,577</u>	<u>\$ (542,524)</u>	<u>\$ (765,967)</u>	<u>\$508,576,973</u>
<b>2006</b>						
Land	\$ 3,833,513	\$ 25,000	\$ 21,904	\$ 158,618	\$ --	\$ 3,995,227
Distribution and collection	358,713,391	223,165	1,016,931	30,440,224	--	388,359,849
Buildings and improvement	115,878,907	69,104	3,304	(3,190,488)	--	112,754,219
Equipment and other	117,066,688	3,006,924	1,277,854	10,140,920	--	128,936,678
Construction in progress	<u>39,541,854</u>	<u>52,243,850</u>	<u>892,762</u>	<u>(36,361,579)</u>	<u>--</u>	<u>54,531,363</u>
	635,034,353	55,568,043	3,212,755	1,187,695	--	688,577,336
Less accumulated depreciation:						
Distribution and collection	95,551,101	5,395,108	1,016,932	--	--	99,929,277
Buildings and improvement	42,878,799	2,618,609	3,934	(116,024)	--	45,377,450
Equipment and other	<u>63,140,647</u>	<u>6,072,576</u>	<u>1,189,925</u>	<u>(659,996)</u>	<u>--</u>	<u>68,683,294</u>
	<u>201,570,547</u>	<u>14,086,293</u>	<u>2,210,791</u>	<u>543,972</u>	<u>--</u>	<u>213,990,021</u>
Net Capital Assets	<u>\$433,463,806</u>	<u>\$41,481,750</u>	<u>\$ 1,001,964</u>	<u>\$ 643,723</u>	<u>\$ --</u>	<u>\$474,587,315</u>

## CITY OF FORT WAYNE UTILITIES

Notes to Financial Statements

December 31, 2007 and 2006

### **(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. Pledged revenues were \$435,458 and \$326,231 in 2007 and 2006, respectively. Developer notes payable were \$3,411,969 and \$3,705,853 for 2007 and 2006, respectively. The debt accrues interest at prime, currently at 7.25%, plus 1%. Developer notes payable are included in current liabilities.

### **(10) Long-Term Debt**

#### Bonds Payable:

Details of all Utilities' bonds payable at December 31, 2007 are as follows:

Water Works Revenue Bonds of 1997 – original issue of \$7,100,000 – interest rates range from 4.50% to 4.75% and mature serially in amounts ranging from \$575,000 in 2008 to \$680,000 in 2011, redeemable at 100% beginning in 2005, less unamortized bond discount of \$9,460.	\$ 2,500,540
Water Works Revenue Bonds of 2003 – original issue of \$5,800,000 – interest rates range from 2.00% to 4.250% and mature serially in amounts ranging from \$350,000 in 2008 to \$505,000 in 2017, redeemable prior to maturity for bonds maturing on or after 2014, plus unamortized bond premium of \$20,685.	4,215,685
Water Works Revenue Bonds of 2006 – original issue of \$16,700,000 – interest rates range from 2.70% to 4.40% and mature serially in amounts ranging from \$605,000 in 2008 to \$2,345,000 in 2019, redeemable prior to maturity for bonds maturing on or after 2015, plus unamortized bond premium of \$68,955.	16,173,955
Sewage Works Junior Revenue Bonds of 1998, Series A – original issue of \$10,640,000 – interest rates range from 4.25% to 5.00% and mature serially in amounts ascending from \$795,000 in 2008 to \$975,000 in 2012, redeemable at 100% beginning in 2007, less unamortized bond discount of \$3,196.	4,406,804

**CITY OF FORT WAYNE UTILITIES**

Notes to Financial Statements

December 31, 2007 and 2006

Sewage Works Junior Revenue Bonds of 1998, Series B – original issue of \$16,760,000 – interest rates range from 4.00% to 4.50% and mature serially in amounts ascending from \$1,290,000 in 2008 to \$1,535,000 in 2012, redeemable at 100% beginning in 2007, less unamortized bond discount of \$3,063.	7,026,937
Sewage Works Junior Refunding and Revenue Bonds of 2002, Series B – original issue of \$19,080,000 – interest rates range From 3.50% to 5.50% and mature serially in amounts from \$1,760,000 in 2008 to \$1,100,000 in 2017, redeemable at 100% beginning in 2013, plus unamortized bond premium of \$247,392.	12,957,392
Sewage Works Junior Revenue Bonds of 2002, Series C – original issue of \$5,750,000 – interest rates range from 1.30% to 4.55% and mature serially in amounts from \$345,000 in 2008 to \$500,000 in 2017, redeemable at 100% beginning in 2014.	4,160,000
Sewage Works Junior Revenue Bonds of 2003 – original issue of \$12,350,000 – interest rates range from 2.00% to 3.80% and mature serially in amounts from \$730,000 in 2008 to \$1,045,000 in 2018, plus unamortized bond premium of \$28,364.	9,593,364
Sewage Works Revenue Bonds of 2007 – original issue of \$24,155,000 – interest rates range from 4.25% to 4.75% and mature serially in amounts from \$710,000 in 2008 to \$1,775,000 in 2027, redeemable at 100% beginning in 2017, less unamortized bond discount of \$30,462.	24,124,538
Stormwater Management District Revenue Bonds of 2006 – original issue of \$17,000,000 – interest rates range from 3.75% to 4.00% mature serially in amounts from \$875,000 in 2008 to \$1,500,000 in 2021, plus unamortized bond premium of \$73,281.	<u>16,228,281</u>
Total	101,387,496
Less: Current portion	<u>(8,035,000)</u>
Noncurrent Bonds payable, net	<u>\$ 93,352,496</u>

**CITY OF FORT WAYNE UTILITIES**

Notes to Financial Statements

December 31, 2007 and 2006

Total bond debt service requirements to maturity as of December 31, 2007 are as follows:

<u>Year Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 8,035,000	\$ 4,157,834	\$ 12,192,834
2009	8,455,000	3,929,056	12,384,056
2010	8,215,000	3,591,191	11,806,191
2011	8,160,000	3,253,308	11,413,308
2012	8,505,000	2,913,868	11,418,868
2013 to 2017	33,710,000	10,106,464	43,816,464
2018 to 2022	17,785,000	3,759,022	21,544,022
2023 to 2027	<u>8,130,000</u>	<u>1,192,963</u>	<u>9,322,963</u>
Total	<u>\$100,995,000</u>	<u>\$32,903,706</u>	<u>\$133,898,706</u>

Loans Payable

During 2005 and 2002, the Utilities entered into finance assistance agreements with the State of Indiana's Wastewater Revolving Loan program that allows for a maximum of \$40,000,000 and \$23,500,000 in 2005 and 2002, respectively, for improvements at the Wastewater treatment facility. At December 31, 2007, \$33,926,779 and \$23,454,351 had been drawn against the 2005 and 2002 agreements, respectively, with a principal balance of \$30,931,779 and \$20,102,351, respectively. At December 31, 2006, \$19,840,612 and \$23,454,351 had been drawn against the 2005 and 2002 agreements, respectively, with a principal balance of \$18,365,612 and \$20,990,351, respectively. The Utilities do not intend to draw any more funds against the 2002 agreement.

During 2006, the Utilities participated in a shared loan arrangement through State of Indiana's State Revolving Fund Pooled Loan program. This program allows Indiana municipalities to collectively borrow funds under the AAA rating of the State of Indiana's creditworthiness as well as receive other financial benefits. Under this program the Utilities received \$31,900,000 to invest in improvements to the Water Utility's infrastructure. The interest rate is 3.95% and the principal matures serially in amounts ranging from \$1,665,000 in 2008 to \$2,755,000 in 2021. At December 31, 2007 and 2006, the outstanding principal balance was \$30,355,000 and \$31,900,000, respectively.

The total anticipated loan debt service requirements to maturity, after all remaining loan principal has been drawn down, as of December 31, 2007 are as follows:

<u>Year Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 4,153,000	\$ 3,152,098	\$ 7,305,098
2009	4,305,000	3,000,895	7,305,895
2010	4,464,000	2,844,095	7,308,095
2011	4,623,000	2,681,420	7,304,420
2012	4,795,000	2,512,870	7,307,870
2013 to 2017	26,723,000	9,808,593	36,531,593
2018 to 2022	29,117,000	4,552,607	33,669,607
2023 to 2025	<u>9,282,351</u>	<u>546,710</u>	<u>9,829,061</u>
	<u>\$ 87,462,351</u>	<u>\$ 29,099,288</u>	<u>\$ 116,561,639</u>

## CITY OF FORT WAYNE UTILITIES

### Notes to Financial Statements

December 31, 2007 and 2006

#### Changes in Long-Term Liabilities

The following is a summary of long-term obligations for the Utilities for the year ended December 31, 2007:

	Balance Jan. 1, 2007	Additions	Deductions	Balance Dec. 31, 2007	Current Portion
Bonds and loans					
Revenue bonds payable, net	\$ 84,367,513	\$ 24,123,591	\$ 7,103,608	\$ 101,387,496	\$ 8,035,000
Loans payable	<u>71,255,963</u>	<u>14,086,167</u>	<u>3,953,000</u>	<u>81,389,130</u>	<u>4,153,000</u>
Total bonds and loans	<u>155,623,476</u>	<u>38,209,758</u>	<u>11,056,608</u>	<u>182,776,626</u>	<u>12,188,000</u>
Other noncurrent liabilities					
Accrued compensated absences	1,991,023	72,254	--	2,066,277	1,022,586
Other long-term liabilities	<u>118,758</u>	<u>3,816</u>	<u>96,945</u>	<u>25,629</u>	<u>5,145</u>
Total other noncurrent liabilities	<u>2,109,791</u>	<u>76,070</u>	<u>96,945</u>	<u>2,091,906</u>	<u>1,027,731</u>
	<u>\$ 157,733,257</u>	<u>\$ 38,285,828</u>	<u>\$ 11,153,553</u>	<u>\$ 184,868,532</u>	<u>\$ 13,215,731</u>

The following is a summary of long-term obligations for the Utilities for the year ended December 31, 2006:

	Balance Jan. 1, 2006	Additions	Deductions	Balance Dec. 31, 2006	Current Portion
Bonds and loans					
Revenue bonds payable, net	\$ 73,875,771	\$ 17,091,271	\$ 6,599,529	\$ 84,367,513	\$ 7,030,000
Loans payable	<u>22,151,232</u>	<u>51,433,731</u>	<u>2,329,000</u>	<u>71,255,963</u>	<u>3,953,000</u>
Total bonds and loans	<u>96,027,003</u>	<u>68,525,002</u>	<u>8,928,529</u>	<u>155,623,476</u>	<u>10,983,000</u>
Other noncurrent liabilities					
Accrued compensated absences	1,952,047	38,976	--	1,991,023	953,925
Other long-term liabilities	<u>37,838</u>	<u>91,800</u>	<u>10,880</u>	<u>118,758</u>	<u>5,145</u>
Total other noncurrent liabilities	<u>1,989,885</u>	<u>130,776</u>	<u>10,880</u>	<u>2,109,791</u>	<u>959,070</u>
	<u>\$ 98,016,888</u>	<u>\$ 68,655,778</u>	<u>\$ 8,939,409</u>	<u>\$ 157,733,257</u>	<u>\$ 11,942,070</u>

#### **(11) Related Party Transactions**

During the course of operations, numerous transactions occurred between the Utilities and City for goods and services rendered. The Water Utility received hydrant rental revenue from the City of \$2,687,626 and \$2,291,934 in 2007 and 2006, respectively. The Utilities also received \$581,184 and \$359,007 in 2007 and 2006, respectively from the City for other water, sewer and stormwater services.

**CITY OF FORT WAYNE UTILITIES**

Notes to Financial Statements

December 31, 2007 and 2006

The City received the following from the Utilities in 2007:

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Stormwater Utility</u>	<u>Yard Utility</u>	<u>Electric Utility</u>	<u>Totals</u>
Self insurance	\$1,459,824	\$ 1,688,864	\$ 865,132	\$ 9,420	\$ --	\$4,023,240
Garage services	532,457	423,574	173,920	109	--	1,130,060
Overhead charges	675,605	917,198	538,773	6,414	--	2,137,990
Office and technical services	<u>236,088</u>	<u>102,321</u>	<u>48,700</u>	<u>181</u>	<u>5,150</u>	<u>392,440</u>
	2,903,974	3,131,957	1,626,525	16,124	5,150	7,683,730
Transfers out to the Redevelopment Commission	--	--	--	--	1,162,500	1,162,500
Transfers out in lieu of taxes	<u>1,345,437</u>	<u>2,099,208</u>	--	--	--	<u>3,444,645</u>
Totals	<u>\$4,249,411</u>	<u>\$ 5,231,165</u>	<u>\$ 1,626,525</u>	<u>\$ 16,124</u>	<u>\$1,167,650</u>	<u>\$12,290,875</u>

The City received the following from the Utilities in 2006:

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Stormwater Utility</u>	<u>Electric Utility</u>	<u>Totals</u>
Self insurance	\$ 1,859,556	\$ 1,568,772	\$ 345,936	\$ --	\$ 3,774,264
Garage services	504,204	478,753	178,482	--	1,161,439
Overhead charges	864,697	912,295	206,258	--	1,983,250
Office and technical services	<u>229,571</u>	<u>246,209</u>	<u>51,966</u>	--	<u>527,746</u>
	3,458,028	3,206,029	782,642	--	7,446,699
Transfers out to the Redevelopment Commission	--	--	--	2,244,466	2,244,466
Transfers out in lieu of taxes	<u>1,087,447</u>	<u>1,793,085</u>	--	--	<u>2,880,532</u>
Totals	<u>\$ 4,545,475</u>	<u>\$ 4,999,114</u>	<u>\$ 782,642</u>	<u>\$ 2,244,466</u>	<u>\$ 12,571,697</u>

**CITY OF FORT WAYNE UTILITIES**

Notes to Financial Statements

December 31, 2007 and 2006

**(12) Interfund Assets and Liabilities**

As of December 31, 2007 and 2006, amounts due from/to other funds of the City resulting from various interfund transactions were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>2007</u>	<u>2006</u>
Due from City:			
Water	City's General	\$ 257,649	\$ 222,651
Wastewater		69,295	-
Stormwater		<u>65,371</u>	<u>-</u>
Total Due from City		<u>\$ 392,315</u>	<u>\$ 222,651</u>
Due to City:			
City's General	Water	\$ 69,794	\$ 60,424
	Wastewater	101,918	101,908
	Stormwater	20,146	15,073
	Electric	--	17
	Yard Waste	20	15
City's Solid Waste	Water	625,539	538,609
	Wastewater	849,228	568,463
	Stormwater	498,847	128,122
	Electric	--	4,976
	Yard Waste	<u>5,939</u>	<u>3,732</u>
Total Due to City		<u>\$2,171,431</u>	<u>\$1,421,339</u>

**Interfund Receivables/Payables and Advances From/To Other Funds**

In 1992 the Community Trust Fund loaned the City of Fort Wayne General Fund \$2.2 million to be used as a loan to Allen County to cover a portion of the costs of construction of a minor league baseball stadium. The City repaid the loan at the interest rate of 4.55% per year in equal annual installments through July 2007. The loan was paid in full in 2007 and the balance due to the Utilities at December 31, 2006 was \$196,087. In 2002, The Community Trust Fiduciary Fund was closed and activity was transferred to the Electric Fund.

The principal is reported as follows:

<u>Interfund Receivable</u>	<u>Interfund Payable Fund</u>	<u>2007</u>	<u>2006</u>
Electric	City's General	<u>\$ --</u>	<u>\$ 196,087</u>

## **CITY OF FORT WAYNE UTILITIES**

Notes to Financial Statements

December 31, 2007 and 2006

### **(13) Equity Transfers**

The 10-year sewer capacity improvement program includes storm sewer construction funded through the Wastewater 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. In 2007 there was a project that was funded by the Stormwater Utility and then transferred from the Stormwater Utility to the Wastewater Utility. The net amount transferred from the Stormwater Utility to the Wastewater Utility for 2007 was \$1,211,794. The net amount transferred from the Wastewater Utility to the Stormwater Utility for 2006 was \$3,815,799.

### **(14) Risk Management**

The City, including the Utilities, 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 has established internal service funds to finance these risks. Interfund premiums are billed monthly on a cost allocation basis most appropriate to the type of risk involved. An excess policy covers individual health insurance claims in excess of \$150,000 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 \$150,000 per employee per injury. The general and auto liability is limited by Indiana government tort liability limits of \$300,000 per person and incident. Liabilities are the responsibility of the City's internal service funds.

### **(15) Pension Plans**

#### **A. Public Employees' Retirement Fund**

##### **Plan Description**

The Utilities contribute to the Public Employees' Retirement Fund (PERF), a defined-benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined-benefit plan.

State statutes (IC 5-10.2 and 5-10.3) govern most requirements of the system and give the Utilities authority to contribute to the plan. PERF retirement benefits consist of employer provided contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by statute at three percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

## **CITY OF FORT WAYNE UTILITIES**

### Notes to Financial Statements

December 31, 2007 and 2006

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by writing the Indiana Public Employees' Retirement Fund, Harrison Building, Room 800, 143 West Market Street, Indianapolis, IN 46204 or by calling (317) 233-4162.

Retirement benefits vest after 10 years of service. Normal retirement is defined as the earliest of: (1) age 65 with 10 years of creditable service; (2) age 60 with 15 years of creditable service; or (3) the sum of age and creditable service equal to 85, but not earlier than age 55. A reduced benefit will be received if an employee takes early retirement between the ages of 50 and 65 and has had 15 or more years of creditable service. Employees may elect to either receive a lump-sum distribution of their annuity savings account balance upon retirement or receive an annuity amount as a monthly supplement to the retirement benefits described above. PERF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute and ordinance.

#### Funding Policy and Annual Pension Cost

The PERF Board of Trustees establishes contribution requirements for plan members. The Utilities' annual pension cost for years ended 2007 and 2006, and related information as provided by the actuary, is presented in this note.

## CITY OF FORT WAYNE UTILITIES

### Notes to Financial Statements

December 31, 2007 and 2006

#### Tables of Required Information

	<u>2007</u>	<u>2006</u>
Annual required contribution (ARC)	\$ 1,205,540	\$ 889,942
Interest on net pension obligation (NPO)	(71,159)	(60,246)
Adjustment to ARC	<u>81,091</u>	<u>68,655</u>
Annual pension cost	1,215,472	898,351
Contributions made	<u>(1,039,922)</u>	<u>(1,048,875)</u>
Increase (decrease) in NPO	175,550	(150,524)
NPO, beginning of year	<u>(981,501)</u>	<u>(830,977)</u>
NPO, end of year	<u>\$ (805,951)</u>	<u>\$ (981,501)</u>

#### Contribution rates:

City Utilities	7.0%
Plan members	3%
Actuarial valuation date	07/01/07
Actuarial cost method	Entry Age
Amortization method	Level Percentage of Projected Payroll, Closed
Amortization period	30 years
Amortization period (from date)	07/01/97

#### Actuarial assumptions:

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Asset Valuation Method: 75% of expected actuarial value plus 25% of market value

#### Three-Year Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/05	747,570	128%	(830,977)
06/30/06	898,351	117%	(981,501)
06/30/07	1,215,472	86%	(805,951)

#### Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>Unfunded AAL As a Percentage Of Covered Payroll ((a-b)/c)</u>
07/01/05	17,905,828	20,004,153	(2,098,325)	90%	14,740,390	14%
07/01/06	18,491,130	22,710,146	(4,219,016)	81%	15,967,747	26%
07/01/07	20,555,950	24,021,178	(3,465,228)	86%	15,678,814	22%

## CITY OF FORT WAYNE UTILITIES

Notes to Financial Statements

December 31, 2007 and 2006

### B. Municipal Pension Plan

The Utilities also have a defined benefit pension plan (funded on a pay-as-you-go basis) covering employees who started receiving retirement or disability benefits before July 1976. For each of the years ended December 31, 2007 and 2006, the Utilities paid annual benefits of \$5,145 to four former employees or survivors. The accrued pension cost for this plan is \$25,629 and \$26,958 at December 31, 2007 and 2006, respectively.

### **(16) Commitments and Contingencies**

#### **Consent Decree:**

The Utilities' combined storm and sanitary sewer system does not comply with federal Clean Water regulations. After several years of negotiations with the Environmental Protection Agency (EPA) and Indiana Department of Environmental Management (IDEM), the EPA lodged a Consent Decree with the federal court on December 28, 2007. The Consent Decree became effective April 1, 2008. Under the terms and conditions of the Consent Decree, the Utilities committed to reduce the number of combined sewer overflow (CSO) days in a typical year to one day on the St. Joseph River and four days on the St. Mary's and Maumee Rivers. The infrastructure cost to reduce the number of CSO events is approximately \$240 million, to be spent over the next 18 years, concluding in 2025. The Utilities 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, the Utilities committed to maintain the entire sewer system to performance standards prescribed in the Utilities' Long-Term Control Plan incorporated by reference into the Consent Decree.

The EPA assessed penalties of \$842,109 for violations of the Clean Water Act committed prior to December 28, 2007. In lieu of cash payment, the Utilities committed to spend \$540,000 on specific environmentally beneficial projects over the next seven years. A cash penalty payment of \$297,636 including accrued interest of \$1,527 was made April 30, 2008. The Consent Decree further provides for stipulated penalties for failure to achieve specified construction milestones, reporting deadlines or maintenance objectives. The Utilities are in full compliance with the Consent Decree's terms and conditions.

#### **Condemnation of Aqua Indiana's North Assets:**

In June, 2002, the Utilities initiated condemnation of Aqua Indiana's North Assets. On February 12, 2008, the Utilities paid Aqua Indiana \$16,910,500 and took possession of those condemned assets. The acquisition was financed by Waterworks Utility Revenue Bond Anticipation Notes, Series 2007 (BAN) issued February 5, 2008 for \$17,840,000, including the purchase price and estimated issuance and integration costs. The BAN has an interest rate of 1.81% and is payable on or before February 4, 2009. The North Assets are now fully integrated with the Utilities' water and sewer systems and generating revenues for the respective Utilities at existing rates.

**CITY OF FORT WAYNE UTILITIES**

Notes to Financial Statements

December 31, 2007 and 2006

The purchase price was established through condemnation proceedings by Fort Wayne Board of Public Works and is currently being contested by Aqua Indiana in Wells County Circuit Court. At this time, the Utilities are unable to form a conclusion as to whether the assertion of action by Aqua Indiana is either probable or remote, nor as to the amount of damages if assessed, nor to the possible costs of the agreed corrective action.

**Light Lease Revenues:**

By ordinance, light lease revenues (see note 6) in excess of operating expenses and the contribution to the Community Trust (see note 5) are required to be transferred to the City's Cumulative Capital Fund. As of December 31, the Electric Utility maintained operating cash balances of \$262,711 and \$247,514 for 2007 and 2006, respectively. Such amounts are withheld from the City to cover near term operating expenses and, if unspent, will be summarily remitted to the City.

**Other:**

The Utilities have entered into many contracts for various construction projects. Remaining contract payments as of year-end for each utility are as follows:

	<u>2007</u>	<u>2006</u>
Water	\$ 18,450,131	\$ 610,131
Wastewater	10,646,431	21,493,636
Stormwater	<u>717,489</u>	<u>703,353</u>
	<u>\$ 29,814,051</u>	<u>\$ 22,807,120</u>

Major contracts awarded subsequent to December 31, 2007:

<u>Major Contract Project Description</u>	<u>Amount</u>
General cured-in-place pipe rehabilitation	\$ 1,656,833