
Fort Wayne City Utilities

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



CITY UTILITIES

WATER THAT WORKS

Financial Statements

December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Fort Wayne City Utilities (Utilities), departments of the City of Fort Wayne (City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Utilities' basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinions

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

Emphasis of Matters


As discussed in Note 1, the financial statements of the Utilities are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities and each major fund of the City that is attributable to the transactions of the Utilities. They do not purport to, and do not, present fairly the financial position of the City, as of December 31, 2019, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 18 to the financial statements, during 2019, the Utilities adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Proportionate Share of Net Pension Liability, Schedule of Contributions - Pension Plan, and Schedule of Changes in Total OPEB Liability, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Paul D. Joyce, CPA
State Examiner

August 20, 2020

FORT WAYNE CITY UTILITIES

Management's Discussion and Analysis

For the Year Ended December 31, 2019

Introduction

As management of the Fort Wayne City Utilities (FWCU), we offer readers of the FWCU financial statements, this narrative overview and analysis of the financial activities of FWCU for the fiscal year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the basic financial statements and the notes to the basic financial statements.

Financial Highlights

- The assets and deferred outflow of resources of FWCU exceeded its liabilities and deferred inflow of resources (net position) as of December 31, 2019 and 2018 by \$672.4 million and \$649.3 million, respectively.
- The FWCU net position increased for the years ended December 31, 2019 and 2018 by 38.2 million and \$31.7 million, respectively.
- FWCU added new bonded debt, long-term loans payable and capital lease payable for years ended December 31, 2019 and 2018 of \$62.68 million and \$6.6 million, respectively. The 2019 increase in debt is mainly due to issuance of new bonds and loans, additional draws against existing Wastewater SRF loans, and a new capital lease for all Utilities. The 2018 increase in debt consists of two new State Revolving Fund (SRF) loans, additional draws against existing SRF loans, and a capital lease payable for all Utilities.

In 2019, the Water Utility issued one new Water Utility Revenue Bonds at variable interest and two Water Utility SRF loans, one with zero interest and the second with an interest rate of 2.97 percent.

In 2018, the Wastewater Utility issued two new Wastewater Utility SRF loans with an interest rate of 2.86 percent.

- The FWCU net investment in capital assets for the years ended December 31, 2019 and 2018 increased approximately \$31.3 million in 2019 after it increased approximately \$96.0 million in 2018. Significantly, FWCU continues to meet all capital investment milestones required by the 2008 Federal Consent Decree.

Overview of the Financial Statements

This discussion and analysis is an introduction to the FWCU basic financial statements. The FWCU funds are governmental entities classified as enterprise funds, subsets of proprietary

FORT WAYNE CITY UTILITIES
Management's Discussion and Analysis
For the Year Ended December 31, 2019
(Continued)

funds. When an entity charges a fee to cover the entire cost of its operation, these services are classified as a proprietary fund. And more specifically, when an entity is self-supported completely by providing services to outside customers, it is an enterprise fund. An enterprise fund's financial statements are comprised of three statements and the accompanying notes to these statements. The three statements are: 1) statement of net position, 2) statement of revenues, expenses and changes in net position, and 3) statement of cash flows. The notes provide additional information that is essential to a full understanding of the data provided in the FWCU financial statements.

The notes can be found beginning on page 15 of this report.

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

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

	Year Ended December 31,		Variance 2019 – 2018	
	2019	2018	Amount	Percent
Net capital assets	\$ 1,161.5	\$ 1,104.3	\$ 57.2	5.2 %
Other assets	199.6	196.9	2.7	1.4 %
Total assets	<u>\$ 1,361.1</u>	<u>\$ 1,301.2</u>	<u>\$ 59.9</u>	<u>4.6 %</u>
Deferred Outflows of Resources	<u>\$ 6.0</u>	<u>\$ 4.0</u>	<u>\$ 2.0</u>	<u>50.0 %</u>
Current liabilities	73.5	75.2	(1.7)	(2.3)%
Long term liabilities	617.3	577.7	39.6	6.9 %
Total liabilities	<u>\$ 690.8</u>	<u>\$ 652.9</u>	<u>\$ 37.9</u>	<u>5.8 %</u>
Deferred Inflows of Resources	<u>\$ 3.9</u>	<u>\$ 3.0</u>	<u>\$ 0.9</u>	<u>30.0%</u>
Total net position	<u>\$ 672.4</u>	<u>\$ 649.3</u>	<u>\$ 23.1</u>	<u>3.6 %</u>
Net investment in capital assets	577.2	545.9	31.3	5.7 %
Restricted	76.4	73.9	2.5	3.4 %
Unrestricted	<u>18.8</u>	<u>29.5</u>	<u>(10.7)</u>	<u>(36.3)%</u>
Total net position	<u>\$ 672.4</u>	<u>\$ 649.3</u>	<u>\$ 23.1</u>	<u>3.6 %</u>

FORT WAYNE CITY UTILITIES
Management's Discussion and Analysis
For the Year Ended December 31, 2019
(Continued)

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

	Year Ended		Variance	
	December 31,		2019 – 2018	
	2019	2018	Amount	Percent
Operating revenues:				
Water service revenues	\$ 49.3	\$ 47.5	\$ 1.8	3.8 %
Wastewater services revenues	85.0	79.6	5.4	6.8 %
Stormwater service revenues	13.8	12.2	1.6	13.1 %
Electric revenues	0.0	0.0	0.0	0.0 %
Yard Waste revenues	0.5	0.3	0.2	66.7 %
Total operating revenues	148.6	139.6	9.0	6.4 %
Operating expenses:				
Water operations	37.0	36.0	1.0	2.8 %
Wastewater operations	41.4	39.6	1.8	4.5 %
Stormwater operations	8.0	7.7	0.3	3.9 %
Electric operations	0.0	0.0	0.0	0.0 %
Yard Waste operations	0.2	0.2	0.0	0.0 %
Total operating expenses	86.6	83.5	3.1	3.7 %
Operating Income	62.0	56.1	5.9	10.5 %
Net nonoperating revenues (expenses)	(15.2)	(7.2)	(8.0)	111.1 %
Income before capital contributions and transfers out	46.8	48.9	(2.1)	(4.3)%
Capital contributions	1.4	7.8	(6.4)	(82.1)%
Net transfers out	(10.0)	(9.9)	(0.1)	1.0 %
Change in net position	38.2	46.8	(8.6)	(18.4)%
Net position - beginning of year	649.3	602.5	46.8	7.8 %
Prior period adjustment	(15.1)	0.0	(15.1)	0.0 %
Net position - beginning of year (restated)	634.2	602.5	31.7	5.3 %
Net position - end of year	\$ 672.4	\$ 649.3	\$ 23.1	3.6 %

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a governmental unit's financial health. The net position of FWCU was \$672.4 millions and \$649.3 millions as of December 31, 2019 and 2018, respectively. The largest portion (85.8%) of the FWCU net position in 2019 reflects its net investment in capital assets (land, buildings, machinery, equipment and distribution and collection infrastructure, less any related outstanding debt used to acquire those assets).

FORT WAYNE CITY UTILITIES
Management's Discussion and Analysis
For the Year Ended December 31, 2019
(Continued)

Another significant portion of the FWCU net position (\$76.4 million, or 11.4%) represents resources that are subject to external restrictions on how they may be used.

The FWCU net position increased 38.2 million and 31.7 million for the years ended December 31, 2019 and 2018, respectively.

Capital Assets and Capital Improvement Program

The FWCU capital assets in service total \$1,642.8 million with an accumulated depreciation of \$481.4 million for a net book value of \$1,161.4 million. The statement of net position also includes \$251.5 million in construction in progress reflecting capital projects in various stages of completion. During 2019, approximately \$85.9 million was invested in capital projects (see Note 5).

Debt

At December 31, 2019, FWCU had approximately \$625.4 millions in bonds, loans and leases payable, an increase of \$24.6 million over last year.

The 2019 increase of \$24.6 million in debt is mainly due to issuance of new debt as follows:

- \$11.8 million in new bond issuance
- \$48.4 million in new SRF loans and draws against existing loans
- \$2.4 million in new capital lease (see Note 9).

FWCU paid principal of \$37.3 million and \$33.8 million in 2019 and 2018, respectively.

Economic Factors and Next Year's Budget and Rates

In mid-2017, FWCU adopted a three-year stormwater rate plan, the final phase of which took effect on July 1, 2019.

On June 26, 2018, Common Council approved updates to potable water rates that will be introduced in five annual phases. The rate plan was approved by the Indiana Utility Regulatory Commission and became effective on June 1, 2019. These rate adjustments are funding the protection of public health and safety through ongoing operation and maintenance of the FWCU water management system.

On December 28, 2007, FWCU agreed to a Long-Term Control Plan (LTCP), in the form of a federal Consent Decree, which will ultimately bring the FWCU combined storm and sanitary sewer system into compliance with the federal Clean Water Act. The Consent Decree became effective April 1, 2008. Through the LTCP, FWCU committed to combined sewer overflow reductions that require an investment of approximately \$240.0 million (denominated in 2005 dollars) in infrastructure solutions over the 18-year period from 2008 through 2025. This investment is currently projected to have a total cost of approximately \$340 million, while, through value

FORT WAYNE CITY UTILITIES
Management's Discussion and Analysis
For the Year Ended December 31, 2019
(Continued)

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

The Consent Decree further provides for stipulated penalties for failure to achieve specified construction milestones, reporting deadlines or maintenance objectives. FWCU is in full compliance with terms and conditions of the Consent Decree, meeting or exceeding all required deadlines, milestones, and objectives.

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

FWCU is in full compliance with the terms and conditions of the Consent Decree. Significantly, FWCU has completed to date: the upgrade to the wastewater plant to increase its treatment capacity from 60 million gallons per day (mgd) to 100 mgd and completed 33 combined sewer separation projects. FWCU also constructed a combined sewer overflow pond bleed-back process that fully treats over one billion gallons of wastewater each year that previously entered the Maumee River only partially treated. Untreated wastewater storage capacity was increased by nearly 100 million gallons through several pond enhancement projects and the pump station used to fill those ponds has had its capacity increased to maximize the available storage.

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

Each of Fort Wayne's three rivers have their own control limits and compliance deadlines for reductions in combined sewer overflows per the Consent Decree. The improvements for reducing the combined sewer overflows along the St. Joseph River were completed in 2015 and the St. Joseph is now considered to be in compliance with the Consent Decree. Moreover, it has not experienced an overflow event in nearly three years.

The Wastewater Utility Capital Improvement Plan also supports the rehabilitation of existing pipes through cured-in-place lining. Lining wastewater pipelines significantly extends the life of the

FORT WAYNE CITY UTILITIES
Management's Discussion and Analysis
For the Year Ended December 31, 2019
(Continued)

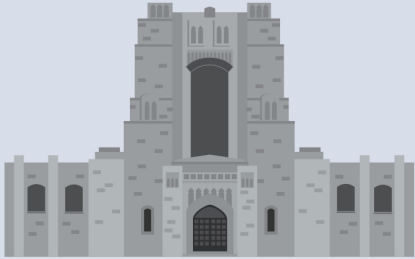
pipeline, improves overall system flow, and reduces reactive maintenance. Since 2008, FWCU has invested \$41 million to line approximately 178 miles of pipe. The annual pipe enhancement rate since 2008 is 1.2 percent which exceeds our annual goal of one percent per year.

Request for Information

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


Facts & Figures

Three Rivers Filtration Plant
 Built **1931-1933**
 Expanded in **1954** and **1981**



Capacity **72** MGD
 2019 Average Demand **34** MGD

Received the 2019 AMWA Sustainable Water Utility Management Award




94% of stormwater accounts are residential

Recipient of the 2019 Partnership for Safe Drinking Water Treatment Director's Award



6,680 training hours in 2019

2019 average monthly residential water consumption **3,646** gallons




Stormwater Utility
 Established **1993**

346 employees





CITY UTILITIES
 WATER THAT WORKS

Miles of pipe

1,416 water

1,434 sewer


702 stormwater

89% of water accounts are residential

Winner of the 2019 Utility of the Future Today Award for Partnership and Engagement

Paul L. Brunner Water Pollution Control Plant
 Built **1938-1940**
 Expanded in **1960** and **1975**



Capacity **100** MGD
 2019 Average Demand **57.2** MGD

15.3% of sewage in 2019 was generated by commercial customers

FORT WAYNE CITY UTILITIES

Statement of Net Position

At December 31, 2019

	Water	Wastewater	Stormwater	Electric	Yard Waste	Total 2019
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	\$ 11,051,607	\$ 22,757,038	\$ 8,457,543	\$ —	\$ 481,550	\$ 42,747,738
Receivables:						
Customers, net of allowance for doubtful accounts of \$72,811	6,069,637	11,204,796	1,885,414	—	2,054	19,161,901
Interest	—	610,685	—	—	—	610,685
Due from City of Fort Wayne	13,959	17,450	5,379	—	59	36,847
Due from Indiana Finance Authority	5,580,812	—	—	—	—	5,580,812
Materials and supplies	1,442,828	74,376	—	—	—	1,517,204
Prepaid expenses	85,602	105,883	1,877	—	8	193,370
Total current assets	<u>24,244,445</u>	<u>34,770,228</u>	<u>10,350,213</u>	<u>—</u>	<u>483,671</u>	<u>69,848,557</u>
NONCURRENT ASSETS:						
Restricted cash and cash equivalents	42,201,597	47,400,161	11,574,910	—	94	101,176,762
Restricted investments	—	24,000,000	—	—	—	24,000,000
Regulatory assets	2,254,531	1,391,995	339,755	—	—	3,986,281
Assessments receivable	—	565,773	—	—	—	565,773
Capital assets:						
Land	5,906,432	4,038,389	6,098,185	75,732	—	16,118,738
Distribution and collection	257,247,997	376,385,075	168,942,082	—	—	802,575,154
Buildings and improvements	87,159,867	180,331,398	2,909,958	1,121,198	68,777	271,591,198
Equipment and other	127,536,703	166,992,927	6,140,015	342,787	55,688	301,068,120
Less: Accumulated depreciation	(195,750,587)	(232,106,717)	(51,940,101)	(1,449,823)	(122,581)	(481,369,809)
Plus: Construction in progress	14,107,250	224,851,928	12,522,161	—	5,254	251,486,593
Net capital assets	<u>296,207,662</u>	<u>720,493,000</u>	<u>144,672,300</u>	<u>89,894</u>	<u>7,138</u>	<u>1,161,469,994</u>
Total noncurrent assets	<u>340,663,790</u>	<u>793,850,929</u>	<u>156,586,965</u>	<u>89,894</u>	<u>7,232</u>	<u>1,291,198,810</u>
Total assets	<u>\$ 364,908,235</u>	<u>\$ 828,621,157</u>	<u>\$ 166,937,178</u>	<u>\$ 89,894</u>	<u>\$ 490,903</u>	<u>\$ 1,361,047,367</u>
DEFERRED OUTFLOWS OF RESOURCES (Note 6):	<u>\$ 1,465,484</u>	<u>\$ 3,715,029</u>	<u>\$ 796,483</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,976,996</u>
LIABILITIES						
CURRENT LIABILITIES:						
Accounts payable	4,023,500	9,253,247	2,052,435	—	14,833	15,344,015
Wages and withholdings payable	400,928	367,678	95,556	—	679	864,841
Due to City of Fort Wayne	2,842,175	4,393,841	1,297,903	—	8,610	8,542,529
Compensated absences payable - current portion	689,703	725,156	197,651	—	1,716	1,614,226
Other current liabilities	351,530	299,486	25,000	—	—	676,016
Accrued interest payable	409,939	5,199,238	252,708	—	—	5,861,885
Bonds payable - current portion	3,245,000	15,530,000	1,595,000	—	—	20,370,000
Loans payable - current portion	5,054,000	12,704,988	—	—	—	17,758,988
Capital lease payable - current portion	158,670	385,250	164,956	—	20	708,896
Customer deposits	1,753,751	—	—	—	—	1,753,751
Total current liabilities	<u>18,929,196</u>	<u>48,858,884</u>	<u>5,681,209</u>	<u>—</u>	<u>25,858</u>	<u>73,495,147</u>
NONCURRENT LIABILITIES:						
Bonds payable, net of unamortized bond discount/premium	102,485,703	140,545,328	22,741,272	—	—	265,772,303
Loans payable	43,633,235	273,664,074	—	—	—	317,297,309
Capital lease payable	772,761	1,909,452	858,945	—	87	3,541,245
Compensated absences payable	276,701	247,647	31,655	—	412	556,415
Net pension liability	4,472,041	6,486,011	2,408,948	—	—	13,367,000
Total OPEB liability	5,512,737	8,260,729	2,982,576	—	—	16,756,042
Total noncurrent liabilities	<u>157,153,178</u>	<u>431,113,241</u>	<u>29,023,396</u>	<u>—</u>	<u>499</u>	<u>617,290,314</u>
Total liabilities	<u>\$ 176,082,374</u>	<u>\$ 479,972,125</u>	<u>\$ 34,704,605</u>	<u>\$ —</u>	<u>\$ 26,357</u>	<u>\$ 690,785,461</u>
DEFERRED INFLOWS OF RESOURCES (Note 7):	<u>\$ 1,285,448</u>	<u>\$ 1,900,563</u>	<u>\$ 693,929</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,879,940</u>
NET POSITION:						
Net investment in capital assets	167,402,076	281,933,783	127,765,719	89,894	7,031	577,198,503
Restricted						
For debt service	13,473,091	59,201,912	2,863,050	—	—	75,538,053
For capital projects	—	803,684	—	—	—	803,684
Unrestricted	8,130,730	8,524,119	1,706,358	—	457,515	18,818,722
Total net position	<u>\$ 189,005,897</u>	<u>\$ 350,463,498</u>	<u>\$ 132,335,127</u>	<u>\$ 89,894</u>	<u>\$ 464,546</u>	<u>\$ 672,358,962</u>

See accompanying notes to the financial statements.

FORT WAYNE CITY UTILITIES
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2019

	Water	Wastewater	Stormwater	Electric	Yard Waste	Total 2019
OPERATING REVENUES:						
Charges for goods and services	\$ 49,286,718	\$ 84,962,928	\$ 13,701,505	\$ —	\$ 454,425	\$ 148,405,576
OPERATING EXPENSES:						
Personnel services	10,488,610	9,065,040	1,857,796	—	18	21,411,464
Contractual services	1,986,403	3,592,319	277,366	—	104,466	5,960,554
Utilities	1,697,769	2,051,212	64,589	—	5,376	3,818,946
Chemicals	3,271,384	854,028	3,432	—	—	4,128,844
Administrative services	4,752,070	7,128,105	2,564,379	—	43,464	14,488,018
Other supplies/services	4,457,406	3,491,627	295,013	—	—	8,244,046
Depreciation	10,383,745	15,175,767	2,895,645	607	3,648	28,459,412
Total operating expenses	37,037,387	41,358,098	7,958,220	607	156,972	86,511,284
Operating income (loss)	12,249,331	43,604,830	5,743,285	(607)	297,453	61,894,292
NONOPERATING REVENUES (EXPENSES):						
Investment income	682,003	2,265,781	231,163	—	—	3,178,947
Interest expense	(4,469,471)	(12,657,946)	(607,706)	—	—	(17,735,123)
Amortization of debt issuance costs	(266,216)	(217,173)	(44,918)	—	—	(528,307)
Gain/(Loss) on disposal of assets	7,429	(115,995)	19,625	—	—	(88,941)
Total nonoperating revenues (expenses)	(4,046,255)	(10,725,333)	(401,836)	—	—	(15,173,424)
Income (loss) before capital contributions and transfers	8,203,076	32,879,497	5,341,449	(607)	297,453	46,720,868
Capital contributions	438,044	941,449	—	—	—	1,379,493
Transfers in	—	19,636	3,479,689	—	—	3,499,325
Transfers out	(3,037,543)	(8,921,082)	(1,452,162)	—	—	(13,410,787)
Change in net position	5,603,577	24,919,500	7,368,976	(607)	297,453	38,188,899
Total net position-beginning of year	188,381,386	333,005,030	127,659,992	90,501	167,093	649,304,002
Restatement-change in accounting principle (Note 18)	(4,979,066)	(7,461,032)	(2,693,841)	—	—	(15,133,939)
Total net position-beginning of year (restated)	183,402,320	325,543,998	124,966,151	90,501	167,093	634,170,063
Total net position-end of year	\$ 189,005,897	\$ 350,463,498	\$ 132,335,127	\$ 89,894	\$ 464,546	\$ 672,358,962

See accompanying notes to the financial statements.

FORT WAYNE CITY UTILITIES
Statement of Cash Flows
For the Year Ended December 31, 2019

	Water	Wastewater	Stormwater	Electric	Yard Waste	Total 2019
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	\$ 49,600,015	\$ 84,923,959	\$ 13,824,070	\$ —	\$ 474,200	\$ 148,822,244
Payments to suppliers	(15,174,981)	(18,465,098)	(2,786,495)	—	(181,151)	(36,607,725)
Payments to employees	(10,495,399)	(9,095,349)	(1,879,358)	—	(18)	(21,470,124)
Other receipts (payments)	(240,176)	378,908	11,447	—	259	150,438
Net cash provided (used) by operating activities	<u>23,689,459</u>	<u>57,742,420</u>	<u>9,169,664</u>	<u>—</u>	<u>293,290</u>	<u>90,894,833</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers out	(3,032,907)	(5,441,393)	(1,437,162)	—	—	(9,911,462)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets	(12,728,634)	(67,587,000)	(7,777,838)	—	(2,833)	(88,096,305)
Proceeds from long-term debt	29,337,858	27,069,980	706,648	—	—	57,114,486
Bond discount & premium addition	(14,528)	—	—	—	—	(14,528)
Interest paid on long-term debt	(4,542,691)	(13,402,491)	(661,601)	—	—	(18,606,783)
Debt issuance costs	(392,249)	—	—	—	—	(392,249)
Principal paid on long-term debt	(8,175,194)	(27,442,252)	(1,680,058)	—	(19)	(37,297,523)
Proceeds from sales of assets	96,347	13,010	19,625	—	—	128,982
Contribution in aid of construction	217,350	37,441	—	—	—	254,791
Net cash used by capital and related financing activities	<u>3,798,259</u>	<u>(81,311,312)</u>	<u>(9,393,224)</u>	<u>—</u>	<u>(2,852)</u>	<u>(86,909,129)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of investments	—	(24,000,000)	—	—	—	(24,000,000)
Sale of investments	7,673,220	37,645,654	—	—	—	45,318,874
Investment income received	779,569	2,005,526	231,163	—	—	3,016,258
Net cash provided by investing activities	<u>8,452,789</u>	<u>15,651,180</u>	<u>231,163</u>	<u>—</u>	<u>—</u>	<u>24,335,132</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	32,907,600	(13,359,105)	(1,429,559)	—	290,438	18,409,374
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	20,345,604	83,516,304	21,462,012	—	191,206	125,515,126
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 53,253,204</u>	<u>\$ 70,157,199</u>	<u>\$ 20,032,453</u>	<u>\$ —</u>	<u>\$ 481,644</u>	<u>\$ 143,924,500</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ 12,249,331	\$ 43,604,830	\$ 5,743,285	\$ (607)	\$ 297,453	\$ 61,894,292
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	10,383,745	15,175,767	2,895,645	607	3,648	28,459,412
Provision for doubtful accounts	4,182	(11,160)	(5,369)	—	—	(12,347)
Changes in assets and liabilities:						
Receivables	309,115	(27,809)	127,934	—	19,775	429,015
Other assets	(240,176)	378,908	11,447	—	259	150,438
Accounts payable and other liabilities	983,262	(1,378,116)	396,722	—	(27,845)	(25,977)
Net cash provided (used) by operating activities	<u>\$ 23,689,459</u>	<u>\$ 57,742,420</u>	<u>\$ 9,169,664</u>	<u>\$ —</u>	<u>\$ 293,290</u>	<u>\$ 90,894,833</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Capital assets acquired through accounts payable	\$ 2,855,898	\$ 8,052,115	\$ 1,767,614	\$ —	\$ —	\$ 12,675,627
Capital asset contribution	220,694	904,008	—	—	—	1,124,702
Interfund capital asset contribution	(4,636)	(3,460,053)	3,464,689	—	—	—

See accompanying notes to the financial statements.

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2019

Note 1. Nature of Operations and Significant Accounting Policies

Financial Reporting Entity:

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

Basis of Accounting and Financial Reporting:

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets 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 statement of cash flows, FWCU considers all highly liquid investments (including restricted assets) with maturity of three months or less when purchased, to be cash equivalents.

Investments:

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

Restricted Assets/Net Position:

All restricted assets/net position, as presented in the accompanying financial statements, are restricted due to enabling legislation.

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2019
(Continued)

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 acquisition value. 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 loss.

Water, Wastewater, Stormwater, and Yard Waste Utilities' assets are depreciated by individual asset. Electric Utility assets are depreciated using the group method.

Estimated useful lives, in years, are as follows:

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

In regard to interest cost incurred on borrowed funds, FWCU has opted for early implementation of GASB Statement No. 89 *Accounting for Interest Cost Incurred Before the End of a Construction Period*. Beginning with January 1, 2019 no interest has been capitalized in any of the reported Utilities.

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.

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. The unamortized balance of premiums/discounts is included in noncurrent bonds payable on the statement of net position. The unamortized balance of bond issuance costs is reported as regulatory assets on the statement of net position per the exception for regulated utilities.

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2019
(Continued)

Compensated Absences:

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

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

All full-time employees will receive 40 hours of sick time per calendar year to be used or forfeited by the end of the same calendar year. Regular part-time employees will receive 20 hours of sick time per calendar year. Sick time will be pro-rated for all employees hired after April 30th of each calendar year.

Employees with a balance of sick time as of December 31, 2013, will have this balance placed into a separate, frozen sick time account. All employees with a frozen sick time account will receive compensation for this unused sick leave upon separation from employment at \$1.00 for each hour up to 520 hours.

Employees with a frozen sick time account will be eligible to either 50 percent of the employee's hourly rate as of December 31, 2013 for each accumulated hour over 520, or an employee with 20 years of service and who retires, may receive credit at 100 percent of the employee's hourly rate at December 31, 2013 for each sick hour over 520 to be used for the purchase of group health insurance. The maximum payment per employee cannot exceed \$25,000.

Classification of Revenue:

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

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

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2019
(Continued)

Deferred Outflows of Resources:

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

The Wastewater and Stormwater Utilities have deferred charges on refunding reported in the statement of net position (Debt refunding loss) that qualify for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Also included in this category are the deferred outflows of resources related to pensions and OPEB, as detailed in Note 14 and Note 15, respectively.

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

Deferred Inflows of Resources:

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement section element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and, therefore, will not be recognized as an inflow of resources (revenue) until then. At this time, the two items that qualify for reporting in this category are related to the deferred inflows related to pension and deferred inflows related to OPEB. For further information see Note 14 and Note 15, respectively.

Note 2. Deposits and Investments

Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories. FWCU does not have a formal policy for custodial credit risk.

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2019
(Continued)

Investments:

Authorization for investment activity is stated in Indiana Code IC 5-13. As of December 31, 2019 FWCU had the following investments:

Certificates of Deposit:	Water Utility	Wastewater Utility	Stormwater Utility	Electric Utility	Yard Waste Utility	Total
Investment maturity less than one year	\$ —	\$ 3,000,000	\$ —	\$ —	\$ —	\$ 3,000,000
Investment maturity greater than one year	—	21,000,000	—	—	—	21,000,000
Total	<u>\$ —</u>	<u>\$ 24,000,000</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 24,000,000</u>

Investment Policies:

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

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2019
(Continued)

Note 3. Restricted Assets

Restricted assets consisted of the following at December 31, 2019:

	Water Utility	Wastewater Utility	Stormwater Utility	Electric Utility	Yard Waste Utility	Total
Cash and cash equivalents:						
Sinking fund	\$ 1,101,522	\$ 16,962,817	\$ 915,208	\$ —	\$ —	\$ 18,979,547
Debt service reserve	12,781,508	29,438,332	2,200,551	—	—	44,420,391
Construction	26,554,086	195,328	8,459,151	—	94	35,208,659
Customer deposits	1,753,751	—	—	—	—	1,753,751
System development charge fund	10,730	—	—	—	—	10,730
Septic elimination program	—	803,684	—	—	—	803,684
Total cash and cash equivalents	<u>\$ 42,201,597</u>	<u>\$ 47,400,161</u>	<u>\$ 11,574,910</u>	<u>\$ —</u>	<u>\$ 94</u>	<u>\$ 101,176,762</u>
Investments:						
Debt service reserve	\$ —	\$ 18,000,000	\$ —	\$ —	\$ —	\$ 18,000,000
Construction	—	6,000,000	—	—	—	6,000,000
Total investments	<u>\$ —</u>	<u>\$ 24,000,000</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 24,000,000</u>

Sinking Fund:

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

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

Debt Service Reserve:

In addition to the sinking fund accounts, revenue bonds require debt service "reserve accounts" which require funding at: the lesser of ten percent of bond proceeds, the maximum annual principal and interest required thereon, or 125 percent of the average annual principal and interest requirements thereon. The 2016 and the 2017 Series A and B Sewage Works Refunding Revenue Bonds require that the debt service reserve for those particular bonds be ten percent of par value. FWCU calculates its debt service reserve accounts on a consolidated basis and may fund the debt service reserve by holding cash or through the purchase of surety bond insurance. Among other requirements, the surety bond insurer must maintain a AAA or Aaa rating with Standards and Poor's or Moody's respectively.

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2019
(Continued)

Prior to 2009, all FWCU revenue bonds' debt service reserves were funded through surety bond insurance. As a result of the financial crisis that occurred in late 2008 - early 2009 and up to and including 2019, the surety bond insurers failed to maintain their AAA/Aaa rating. While still insured, this failure to maintain AAA/Aaa ratings required FWCU to cash fund the debt service reserve accounts for the affected revenue bonds. As of December 31, 2019, all surety bond insurance for Waterworks, Sewage Works and Stormwater Revenue Bonds have been replaced with cash funded debt service reserves as required by bond ordinance.

Construction:

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

Customer Deposits:

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

System Development Charge Fund:

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

Septic Elimination Program:

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

Note 4. Assessments Receivable

Assessments receivable represent assessments due from customers for wastewater connections. The individual assessments range from \$2,000 to \$24,000 and are due in 60, 120 or 180 monthly principal installments plus interest on the unpaid portion at ranges from zero percent to seven percent per year.

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2019
(Continued)

Note 5. Capital Assets

The following changes occurred in capital assets during the year ended December 31, 2019:

Water Utility

	Balance, 1/1/2019	Additions	Disposals	Transfers	Balance, 12/31/2019
Land	\$ 5,878,231	\$ —	\$ —	\$ 28,201	\$ 5,906,432
Distribution and collection	254,381,807	438,044	—	2,428,146	257,247,997
Buildings and improvement	87,041,392	—	—	118,475	87,159,867
Equipment and other	127,052,671	222,111	741,030	1,002,951	127,536,703
Construction in progress	4,017,063	13,672,596	—	(3,582,409)	14,107,250
	<u>478,371,164</u>	<u>14,332,751</u>	<u>741,030</u>	<u>(4,636)</u>	<u>491,958,249</u>
Less accumulated depreciation:					
Distribution and collection	74,158,702	3,905,765	—	—	78,064,467
Buildings and improvement	40,858,819	1,876,078	—	—	42,734,897
Equipment and other	71,001,433	4,601,902	652,112	—	74,951,223
Sub-total	<u>186,018,954</u>	<u>10,383,745</u>	<u>652,112</u>	<u>—</u>	<u>195,750,587</u>
Net Capital Assets	<u>\$ 292,352,210</u>	<u>\$ 3,949,006</u>	<u>\$ 88,918</u>	<u>\$ (4,636)</u>	<u>\$ 296,207,662</u>

Wastewater Utility

	Balance, 1/1/2019	Additions	Disposals	Transfers	Balance, 12/31/2019
Land	\$ 3,964,222	\$ —	\$ —	\$ 74,167	\$ 4,038,389
Distribution and collection	372,248,884	941,449	341,735	3,536,477	376,385,075
Buildings and improvement	179,999,712	—	1,876	333,562	180,331,398
Equipment and other	164,594,253	426,928	674,247	2,645,993	166,992,927
Construction in progress	172,574,085	62,328,095	—	(10,050,252)	224,851,928
	<u>893,381,156</u>	<u>63,696,472</u>	<u>1,017,858</u>	<u>(3,460,053)</u>	<u>952,599,717</u>
Less accumulated depreciation:					
Distribution and collection	90,703,039	5,601,039	292,627	—	96,011,451
Buildings and improvement	54,060,234	3,265,845	714	—	57,325,365
Equipment and other	73,056,529	6,308,883	595,511	—	78,769,901
Sub-total	<u>217,819,802</u>	<u>15,175,767</u>	<u>888,852</u>	<u>—</u>	<u>232,106,717</u>
Net Capital Assets	<u>\$ 675,561,354</u>	<u>\$ 48,520,705</u>	<u>\$ 129,006</u>	<u>\$ (3,460,053)</u>	<u>\$ 720,493,000</u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2019
(Continued)

Stormwater Utility

	Balance, 1/1/2019	Additions	Disposals	Transfers	Balance, 12/31/2019
Land	\$ 6,087,611	\$ —	\$ —	\$ 10,574	\$ 6,098,185
Distribution and collection	161,923,099	—	130,830	7,149,813	168,942,082
Buildings and improvement	2,909,958	—	—	—	2,909,958
Equipment and other	6,269,984	18,063	208,128	60,096	6,140,015
Construction in progress	8,477,202	7,800,753	—	(3,755,794)	12,522,161
	<u>185,667,854</u>	<u>7,818,816</u>	<u>338,958</u>	<u>3,464,689</u>	<u>196,612,401</u>
Less accumulated depreciation:					
Distribution and collection	43,626,758	2,385,817	130,830	—	45,881,745
Buildings and improvement	906,735	65,474	—	—	972,209
Equipment and other	4,849,921	444,354	208,128	—	5,086,147
Sub-total	<u>49,383,414</u>	<u>2,895,645</u>	<u>338,958</u>	<u>—</u>	<u>51,940,101</u>
Net Capital Assets	<u>\$ 136,284,440</u>	<u>\$ 4,923,171</u>	<u>\$ —</u>	<u>\$ 3,464,689</u>	<u>\$ 144,672,300</u>

Electric Utility

	Balance, 1/1/2019	Additions	Disposals	Transfers	Balance, 12/31/2019
Land	\$ 75,732	\$ —	\$ —	\$ —	\$ 75,732
Distribution and collection	—	—	—	—	—
Buildings and improvement	1,121,198	—	—	—	1,121,198
Equipment and other	342,787	—	—	—	342,787
Construction in progress	—	—	—	—	—
	<u>1,539,717</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,539,717</u>
Less accumulated depreciation:					
Distribution and collection	—	—	—	—	—
Buildings and improvement	1,120,679	—	—	—	1,120,679
Equipment and other	328,537	607	—	—	329,144
Sub-total	<u>1,449,216</u>	<u>607</u>	<u>—</u>	<u>—</u>	<u>1,449,823</u>
Net Capital Assets	<u>\$ 90,501</u>	<u>\$ (607)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 89,894</u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2019
(Continued)

Yard Waste Utility

	Balance, 1/1/2019	Additions	Disposals	Transfers	Balance, 12/31/2019
Land	\$ —	\$ —	\$ —	\$ —	\$ —
Distribution and collection	—	—	—	—	—
Buildings and improvement	68,777	—	—	—	68,777
Equipment and other	56,496	172	980	—	55,688
Construction in progress	2,852	2,402	—	—	5,254
	<u>128,125</u>	<u>2,574</u>	<u>980</u>	<u>—</u>	<u>129,719</u>
Less accumulated depreciation:					
Distribution and collection	—	—	—	—	—
Buildings and improvement	65,625	3,152	—	—	68,777
Equipment and other	54,288	496	980	—	53,804
Sub-total	<u>119,913</u>	<u>3,648</u>	<u>980</u>	<u>—</u>	<u>122,581</u>
Net Capital Assets	<u>\$ 8,212</u>	<u>\$ (1,074)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7,138</u>

Note 6. Deferred Outflows of Resources

The following is a summary of changes in deferred outflows of resources for the year ended December 31, 2019:

Water Utility

	Balance, 1/1/2019	Additions	Deductions	Balance, 12/31/2019
Debt refunding loss	—	—	—	\$ —
Outflow of resources related to pensions (see note 14)	629,606	16,235	73,383	572,458
Outflow of resources related to OPEB (see note 15)	984,891	—	91,865	893,026
Total	<u>\$ 1,614,497</u>	<u>\$ 16,235</u>	<u>\$ 165,248</u>	<u>\$ 1,465,484</u>

Wastewater Utility

	Balance, 1/1/2019	Additions	Deductions	Balance, 12/31/2019
Debt refunding loss	2,107,796	—	542,386	\$ 1,565,410
Outflow of resources related to pensions (see note 14)	897,070	24,329	109,963	811,436
Outflow of resources related to OPEB (see note 15)	1,475,840	—	137,657	1,338,183
Total	<u>\$ 4,480,706</u>	<u>\$ 24,329</u>	<u>\$ 790,006</u>	<u>\$ 3,715,029</u>

Stormwater Utility

	Balance, 1/1/2019	Additions	Deductions	Balance, 12/31/2019
Debt refunding loss	34,132	—	11,377	\$ 22,755
Outflow of resources related to pensions (see note 14)	321,489	8,785	39,703	290,571
Outflow of resources related to OPEB (see note 15)	532,859	—	49,702	483,157
Total	<u>\$ 888,480</u>	<u>\$ 8,785</u>	<u>\$ 100,782</u>	<u>\$ 796,483</u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2019
(Continued)

Note 7. Deferred Inflows of Resources

The following is a summary of changes in deferred inflows of resources for the year ended December 31, 2019:

Water Utility

	Balance, 1/1/2019	Additions	Deductions	Balance, 12/31/2019
Inflow of resources related to pensions (see note 14)	\$ 998,929	\$ —	\$ 223,421	\$ 775,508
Inflow of resources related to OPEB (see note 15)	—	509,940	—	\$ 509,940
Total	<u>\$ 998,929</u>	<u>\$ 509,940</u>	<u>\$ 223,421</u>	<u>\$ 1,285,448</u>

Wastewater Utility

	Balance, 1/1/2019	Additions	Deductions	Balance, 12/31/2019
Inflow of resources related to pensions (see note 14)	\$ 1,471,219	\$ —	\$ 334,791	\$ 1,136,428
Inflow of resources related to OPEB (see note 15)	—	764,135	—	\$ 764,135
Total	<u>\$ 1,471,219</u>	<u>\$ 764,135</u>	<u>\$ 334,791</u>	<u>\$ 1,900,563</u>

Stormwater Utility

	Balance, 1/1/2019	Additions	Deductions	Balance, 12/31/2019
Inflow of resources related to pensions (see note 14)	\$ 538,913	\$ —	\$ 120,878	\$ 418,035
Inflow of resources related to OPEB (see note 15)	—	275,894	—	\$ 275,894
Total	<u>\$ 538,913</u>	<u>\$ 275,894</u>	<u>\$ 120,878</u>	<u>\$ 693,929</u>

Note 8. Developer Notes Payable

Certain future revenues in newly developed areas are pledged as payment to retire developer debt associated with infrastructure installed to enable the new developments. Capital surcharges applicable only to designated new development regions and area connection fees generated from the designated new development regions will be applied to the developer debt until paid in full. Only revenue generated and collected from the new developments is available to retire the debt. Pledged revenues were \$25,075 for Water Utility and \$170,479 for Wastewater Utility in 2019. Developer notes payable were \$48,640 for Water Utility and \$32,919 for Wastewater Utility in 2019. The debt accrues interest at prime, which as of the end of 2019 was at 4.75 percent, plus one percent. The payables are included in current liabilities.

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2019
(Continued)

Note 9. Long-Term Debt

Bonds Payable:

Water Utility bonds payable at December 31, 2019 are as follows:

Water Works Revenue Bonds of 2012 - original issue of \$40,000,000 - due in annual installments of \$2,125,000 to \$2,975,000 plus interest at 2.000 percent to 3.000 percent through December 1, 2032, redeemable prior to maturity for bonds maturing on or after 2023, plus unamortized bond premium of \$275,765.	\$ 32,905,765
Water Works Revenue Bonds of 2014 - original issue of \$63,000,000 - due in annual installments of \$695,000 to \$5,730,000 plus interest at 2.000 percent to 4.000 percent through December 1, 2034, plus unamortized bond premium of \$938,615.	61,068,615
Water Works Revenue Bonds of 2019 Series A - original issue of \$11,770,000 - due in annual installments of \$425,000 to \$815,000 plus interest at .050 percent to 7.000 percent through December 1, 2039, redeemable prior to maturity for bonds maturing after 2029, less unamortized bond discount of \$13,677.	11,756,323
Total	105,730,703
Less: Current Portion	3,245,000
Noncurrent Bonds Payable, net	\$ 102,485,703

Water Utility bond debt service requirements to maturity as of December 31, 2019 are as follows:

Year Due	Principal	Interest	Total
2020	\$ 3,245,000	\$ 3,448,744	\$ 6,693,744
2021	3,320,000	3,362,594	6,682,594
2022	6,250,000	3,272,656	9,522,656
2023	6,450,000	3,067,156	9,517,156
2024	6,640,000	2,855,256	9,495,256
2025-2029	36,810,000	10,972,906	47,782,906
2030-2034	38,035,000	4,268,145	42,303,145
2035-2039	3,780,000	122,256	3,902,256
Total	\$ 104,530,000	\$ 31,369,713	\$ 135,899,713

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2019
(Continued)

Wastewater Utility bonds payable at December 31, 2019 are as follows:

Sewage Works Revenue Bonds of 2011 Series A - original issue of \$38,100,000 - due in annual installments of \$2,865,000 to \$3,490,000 plus interest at 2.800 percent through August 1, 2026, redeemable at 100 percent beginning in 2022.	\$ 22,090,000
Sewage Works Revenue Bonds of 2012 Series B - original issue of \$15,530,000 - due in annual installments of \$1,075,000 to \$1,295,000 plus interest at 2.000 percent to 3.000 percent through August 1, 2027, redeemable at 100 percent beginning in 2023, plus unamortized bond premium of \$226,938.	9,636,938
Sewage Works Refunding Revenue Bonds of 2012 - original issue of \$19,675,000 - due in annual installments of \$2,075,000 to \$2,140,000 plus interest at 1.450 percent through August 1, 2022, redeemable at 100 percent beginning in 2021, plus unamortized bond premium of \$6,419.	6,326,419
Sewage Works Revenue Bonds of 2013 Series A - original issue of \$32,955,000 - due in annual installments of \$3,695,000 to \$4,060,000 plus interest at 1.950 percent through August 1, 2024.	19,325,000
Sewage Works Revenue Bonds of 2013 Series B - original issue of \$42,260,000 - due in annual installments of \$4,165,000 to \$5,295,000 plus interest at 3.500 percent to 3.630 percent starting with August 1, 2025 through August 1, 2033, redeemable at 100 percent beginning in 2023, plus unamortized bond premium of \$318,450.	42,578,450
Sewage Works Refunding Revenue Bonds of 2016 - original issue of \$35,440,000 - due in annual installments of \$1,480,000 to \$4,040,000 plus interest at 2.000 percent to 4.000 percent through August 1, 2027, redeemable at 100 percent beginning in 2024, plus unamortized bond premium of \$1,458,521.	26,688,521
Sewage Works Refunding Revenue Bonds of 2017 Series A - original issue of \$16,700,000 - due in annual installments of \$1,195,000 to \$1,500,000 plus interest at 2.530 percent through August 1, 2030, redeemable at 100.5 percent on or after February 1, 2025 for obligations maturing on or after August 1, 2026, and at 100 percent on or after August 1, 2027 for obligations maturing on or after August 1, 2028.	14,720,000
Sewage Works Refunding Revenue Bonds of 2017 Series B - original issue of \$16,700,000 - due in annual installments of \$1,200,000 to \$1,500,000 plus interest at 2.530 percent through August 1, 2030, redeemable at 100.5 percent beginning on August 1, 2025 to July 31, 2027 and at 100 percent thereafter.	14,710,000
Total	156,075,328
Less: Current Portion	15,530,000
Noncurrent Bonds Payable, net	<u>\$ 140,545,328</u>

Wastewater Utility bond debt service requirements to maturity as of December 31, 2019 are as follows:

Year Due	Principal	Interest	Total
2020	\$ 15,530,000	\$ 4,405,102	\$ 19,935,102
2021	15,895,000	4,037,898	19,932,898
2022	16,270,000	3,661,671	19,931,671
2023	14,535,000	3,276,118	17,811,118
2024	14,980,000	2,874,059	17,854,059
2025-2029	53,655,000	8,244,233	61,899,233
2030-2033	23,200,000	1,917,094	25,117,094
Total	<u>\$ 154,065,000</u>	<u>\$ 28,416,175</u>	<u>\$ 182,481,175</u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2019
(Continued)

Stormwater Utility bonds payable at December 31, 2019 are as follows:

Stormwater Management District Revenue Bonds of 2017 - original issue of \$27,320,000 - due in semiannual installments of \$780,000 to \$1,065,000 plus interest at 2.000 percent to 3.000 percent through August 1, 2033, redeemable prior to maturity for bonds maturing after 2028, plus unamortized bond premium of \$306,272.	24,336,272
Less: Current Portion	1,595,000
Noncurrent Bonds Payable, net	<u>\$ 22,741,272</u>

Stormwater Utility bond debt service requirements to maturity as of December 31, 2019 are as follows:

Year Due	Principal	Interest	Total
2020	\$ 1,595,000	\$ 598,550	\$ 2,193,550
2021	1,620,000	566,550	2,186,550
2022	1,570,000	534,400	2,104,400
2023	1,605,000	502,800	2,107,800
2024	1,640,000	470,550	2,110,550
2025-2029	8,900,000	1,772,075	10,672,075
2030-2033	7,100,000	433,125	7,533,125
Total	\$ 24,030,000	\$ 4,878,050	\$ 28,908,050

Loans Payable:

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

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

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2019
(Continued)

Details of all Water Utility State Revolving Fund (SRF) loans payable at December 31, 2019 are as follows:

SRF Draw-down loans:

Water Works SRF Revenue Bonds of 2019 Series B - maximum draw of \$7,500,000 - due in annual installments of \$158,000 to \$305,000 at zero interest through December 1, 2048, as of December 31, 2019 total drawn amount is \$937,235.	\$ 937,235
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SRF Advance loans:

Water Works SRF Revenue Bonds of 2006 - original pool share of \$31,900,000 - due in annual installments of \$2,650,000 to \$2,755,000 plus interest at 3.950 percent through December 1, 2021, redeemable prior to maturity for bonds maturing after 2017.	5,405,000
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Water Works SRF Revenue Bonds of 2011 Series B - original pool share of \$26,906,000 - due in annual installments of \$1,401,000 to \$2,073,000 plus interest at 2.967 percent through December 1, 2031, redeemable prior to maturity for bonds maturing after 2021.	20,605,000
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Water Works SRF Revenue Bonds of 2019 Series C - original pool share of \$21,740,000 - due in annual installments of \$286,000 to \$1,234,000 plus interest at 2.970 percent through December 1, 2048, redeemable prior to maturity for bonds maturing after 2029.	21,740,000
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Total	48,687,235
Less: Current Portion	5,054,000
Noncurrent Loans Payable	\$ 43,633,235

Water Utility anticipated loan debt service requirements to maturity, after all remaining loan principal has been drawn down, as of December 31, 2019 are as follows:

Year Due	Principal	Interest	Total
2020	\$ 5,054,000	\$ 1,470,526	\$ 6,524,526
2021	5,230,000	1,303,493	6,533,493
2022	2,549,000	1,130,206	3,679,206
2023	2,626,000	1,063,545	3,689,545
2024	2,704,000	994,598	3,698,598
2025-2029	14,815,000	3,853,680	18,668,680
2030-2034	10,587,000	1,918,124	12,505,124
2035-2039	7,345,000	918,025	8,263,025
2040-2044	2,314,000	333,428	2,647,428
2045-2048	2,026,000	94,431	2,120,431
Total	\$ 55,250,000	\$ 13,080,056	\$ 68,330,056

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2019
(Continued)

Details of all Wastewater Utility State Revolving Fund (SRF) loans payable at December 31, 2019 are as follows:

SRF Draw-down loans:

Sewage Works SRF Revenue Bonds of 2009 Series A - maximum draw of \$5,000,000 - due in annual installments of \$244,605 to \$248,547 plus interest at .160 percent through August 1, 2030, redeemable prior to maturity for bonds maturing after 2020. Loan is completely drawn-down.	2,712,285
Sewage Works SRF Revenue Bonds of 2011 Series B - maximum draw of \$33,576,000 - due in annual installments of \$1,616,000 to \$2,073,000 plus interest at 2.300 percent through August 1, 2031, redeemable prior to maturity for bonds maturing after 2023. Loan is completely drawn-down.	22,032,000
Sewage Works SRF Revenue Bonds of 2012 Series A - maximum draw of \$10,415,000 - due in annual installments of \$495,000 to \$612,000 plus interest at 1.780 percent through August 1, 2032, redeemable prior to maturity for bonds maturing after 2024. Loan is completely drawn-down.	7,170,000
Sewage Works SRF Revenue Bonds of 2014 Series A - maximum draw of \$17,000,000 - due in annual installments of \$809,000 to \$1,094,000 plus interest at 2.350 percent through August 1, 2033, redeemable prior to maturity for bonds maturing after 2026. Loan is completely drawn-down.	13,227,000
Sewage Works SRF Revenue Bonds of 2016 Series A - maximum draw of \$108,000,000 - due in annual installments of \$3,050,000 to \$6,075,000 plus interest at 2.000 percent through February 1, 2039, redeemable prior to maturity for bonds maturing after 2028. As of December 31, 2019 total drawn amount is \$32,795,117.	24,585,117
Sewage Works SRF Revenue Bonds of 2018 Series B - maximum draw of \$21,722,416 - due in annual installments of \$812,000 to \$1,398,800 plus interest at 2.860 percent through August 1, 2039, redeemable prior to maturity for bonds maturing after 2029. As of December 31, 2019 total drawn amount is \$0.	—

SRF Advance loans:

Sewage Works SRF Revenue Bonds of 2009 Series B - original pool share of \$29,091,005 - due in annual installments of \$1,386,596 to \$2,084,297 plus interest at 4.160 percent through August 1, 2030, redeemable prior to maturity for bonds maturing after 2020.	18,855,961
Sewage Works SRF Revenue Bonds of 2014 Series B - original pool share of \$60,872,000 - due in annual installments of \$765,000 to \$6,160,000 plus interest at 3.074 percent through August 1, 2034, redeemable prior to maturity for bonds maturing after 2027.	58,157,000
Sewage Works SRF Revenue Bonds of 2014 Series C - original pool share of \$5,015,000 - due in annual installments of \$220,000 to \$350,000 plus interest at 3.074 percent through August 1, 2034, redeemable prior to maturity for bonds maturing after 2027.	4,195,000
Sewage Works SRF Revenue Bonds of 2016 Series B - original pool share of \$138,583,000 - due in annual installments of \$2,126,787 to \$7,325,433 plus interest at 3.060 percent through August 1, 2046, redeemable prior to maturity for bonds maturing after 2028.	135,434,699
Total	286,369,062
Less: Current Portion	12,704,988
Noncurrent Bonds Payable, net	<u>\$ 273,664,074</u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2019
(Continued)

Wastewater Utility anticipated loan debt service requirements to maturity, after all remaining loan principal has been drawn down, as of December 31, 2019 are as follows:

Year Due	Principal	Interest	Total
2020	\$ 12,704,988	\$ 10,405,303	\$ 23,110,291
2021	14,238,461	10,079,218	24,317,679
2022	14,614,317	9,707,013	24,321,330
2023	17,119,112	9,324,195	26,443,307
2024	17,536,506	8,865,261	26,401,767
2025-2029	102,354,988	36,690,147	139,045,135
2030-2034	96,514,335	22,199,166	118,713,501
2035-2039	61,153,904	11,455,728	72,609,632
2040-2044	32,473,110	5,002,690	37,475,800
2045-2046	14,429,224	556,176	14,985,400
Total	<u>\$ 383,138,945</u>	<u>\$ 124,284,897</u>	<u>\$ 507,423,842</u>

On December 22, 2017 the Wastewater Utility issued \$33,400,000 in refunding revenue bonds with an average interest rate of 2.53 percent to refund \$32,105,000 of outstanding 2010 series bonds with an average interest rate ranging from 4.25 percent to 4.5 percent. The net proceeds of \$33,528,273 (after payment of \$199,424 in issuance costs) and local contributions of \$1,126,575 purchase U.S. government securities for the 2010 Bonds. Those securities were deposited in an irrevocable trust with and escrow agent to provide for all future debt service payments on 2010 series bonds. As a result, these bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position.

Capital Leases:

FWCU has entered into Capital Leases. The details of the capital leases at December 31, 2019 are as follows:

Description	Carrying Value					Total
	Water	Wastewater	Stormwater	Electric	Yard Waste	
2017 Equipment Lease	\$ 432,627	\$ 963,228	\$ 314,094	\$ —	\$ 51	\$ 1,710,000
2018 Equipment Lease	255,588	590,972	194,348	—	92	1,041,000
2019 Equipment Lease	471,435	1,266,918	706,647	—	—	2,445,000
Total	<u>\$ 1,159,650</u>	<u>\$ 2,821,118</u>	<u>\$ 1,215,089</u>	<u>\$ —</u>	<u>\$ 143</u>	<u>\$ 5,196,000</u>

The anticipated loan debt service requirements to maturity as of December 31, 2019 are as follows:

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2019
(Continued)

Water Utility

Year Due	Principal	Interest	Total
2020	\$ 158,670	\$ 23,604	\$ 182,274
2021	162,813	19,462	182,275
2022	167,066	15,208	182,274
2023	171,434	10,841	182,275
2024	142,529	6,356	148,885
2025-2026	128,919	3,293	132,212
Total	<u>\$ 931,431</u>	<u>\$ 78,764</u>	<u>\$ 1,010,195</u>

Wastewater Utility

Year Due	Principal	Interest	Total
2020	\$ 385,250	\$ 58,455	\$ 443,705
2021	395,368	48,338	443,706
2022	405,757	37,948	443,705
2023	416,427	27,279	443,706
2024	353,022	16,322	369,344
2025-2026	338,878	8,728	347,606
Total	<u>\$ 2,294,702</u>	<u>\$ 197,070</u>	<u>\$ 2,491,772</u>

Stormwater Utility

Year Due	Principal	Interest	Total
2020	\$ 164,956	\$ 26,336	\$ 191,292
2021	169,339	21,954	191,293
2022	173,840	17,452	191,292
2023	178,464	12,828	191,292
2024	158,975	8,080	167,055
2025-2026	178,327	4,697	183,024
Total	<u>\$ 1,023,901</u>	<u>\$ 91,347</u>	<u>\$ 1,115,248</u>

Yard Waste Utility

Year Due	Principal	Interest	Total
2020	\$ 20	\$ 3	\$ 23
2021	20	2	22
2022	21	2	23
2023	21	1	22
2024	18	1	19
2025-2026	7	—	7
Total	<u>\$ 107</u>	<u>\$ 9</u>	<u>\$ 116</u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2019
(Continued)

Changes in Long-Term Liabilities:

The following is a summary of long-term obligations for FWCU for the year ended December 31, 2019:

Water Utility

	Balance, 1/1/2019	Additions	Deductions	Balance, 12/31/2019	Current Portion
Bonds and loans					
Revenue bonds payable, net	\$ 98,263,952	\$ 11,755,472	\$ 4,288,721	\$ 105,730,703	\$ 3,245,000
Loans payable	29,911,000	22,677,235	3,901,000	48,687,235	5,054,000
Capital lease payable	584,190	471,435	124,194	931,431	158,670
Total bonds and loans	128,759,142	34,904,142	8,313,915	155,349,369	8,457,670
Other noncurrent liabilities					
Accrued compensated absences	950,172	955,183	938,951	966,404	689,703
Net pension liability (see note 14)	4,555,650	605,795	689,404	4,472,041	—
Total OPEB liability (see note 15)	5,963,957	—	451,220	5,512,737	—
Total other noncurrent liabilities	11,469,779	1,560,978	2,079,575	10,951,182	689,703
Total long-term liabilities	\$ 140,228,921	\$ 36,465,120	\$ 10,393,490	\$ 166,300,551	\$ 9,147,373

Wastewater Utility

	Balance, 1/1/2019	Additions	Deductions	Balance, 12/31/2019	Current Portion
Bonds and loans					
Revenue bonds payable, net	\$ 171,803,480	\$ —	\$ 15,728,152	\$ 156,075,328	\$ 15,530,000
Loans payable	272,499,663	25,803,063	11,933,664	286,369,062	12,704,988
Capital lease payable	1,321,372	1,266,917	293,587	2,294,702	385,250
Total bonds and loans	445,624,515	27,069,980	27,955,403	444,739,092	28,620,238
Other noncurrent liabilities					
Accrued compensated absences	922,895	962,047	912,139	972,803	725,156
Net pension liability (see note 14)	6,611,298	907,772	1,033,059	6,486,011	—
Total OPEB liability (see note 15)	8,936,872	—	676,143	8,260,729	—
Total other noncurrent liabilities	16,471,065	1,869,819	2,621,341	15,719,543	725,156
Total long-term liabilities	\$ 462,095,580	\$ 28,939,799	\$ 30,576,744	\$ 460,458,635	\$ 29,345,394

Stormwater Utility

	Balance, 1/1/2019	Additions	Deductions	Balance, 12/31/2019	Current Portion
Bonds and loans					
Revenue bonds payable, net	\$ 25,942,125	\$ —	\$ 1,605,853	\$ 24,336,272	\$ 1,595,000
Loans payable	—	—	—	—	—
Capital lease payable	432,311	706,648	115,058	1,023,901	164,956
Total bonds and loans	26,374,436	706,648	1,720,911	25,360,173	1,759,956
Other noncurrent liabilities					
Accrued compensated absences	215,267	269,176	255,137	229,306	197,651
Net pension liability (see note 14)	2,454,184	327,756	372,992	2,408,948	—
Total OPEB liability (see note 15)	3,226,700	—	244,124	2,982,576	—
Total other noncurrent liabilities	5,896,151	596,932	872,253	5,620,830	197,651
Total long-term liabilities	\$ 32,270,587	\$ 1,303,580	\$ 2,593,164	\$ 30,981,003	\$ 1,957,607

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2019
(Continued)

Yard Waste Utility

	Balance, 1/1/2019	Additions	Deductions	Balance, 12/31/2019	Current Portion
Bonds and loans					
Revenue bonds payable, net	\$ —	\$ —	\$ —	\$ —	\$ —
Loans payable	—	—	—	—	—
Capital lease payable	126	—	19	107	20
Total bonds and loans	126	—	19	107	20
Other noncurrent liabilities					
Accrued compensated absences	1,902	2,174	1,948	2,128	1,716
Net pension liability (see note 14)	—	—	—	—	—
Total OPEB liability (see note 15)	—	—	—	—	—
Total other noncurrent liabilities	1,902	2,174	1,948	2,128	1,716
Total long-term liabilities	<u>\$ 2,028</u>	<u>\$ 2,174</u>	<u>\$ 1,967</u>	<u>\$ 2,235</u>	<u>\$ 1,736</u>

Note 10. Related Party Transactions

During the course of operations, numerous transactions occurred between FWCU and various departments of the City of Fort Wayne (the City) for goods and services rendered. In 2019, FWCU received from the City \$474,962 for water, \$498,881 for sewer and \$91,099 for stormwater services.

The City received the following from FWCU in 2019:

	Water Utility	Wastewater Utility	Stormwater Utility	Yard Waste Utility	Electric Utility	Total
Self insurance	\$ 3,216,907	\$ 2,986,403	\$ 721,588	\$ 5,440	\$ —	\$ 6,930,338
Garage services	607,656	556,482	201,720	146	—	1,366,004
Overhead charges	498,381	747,571	268,943	4,558	—	1,519,453
Office and technical services	135,772	25,164	16,993	64	—	177,993
Transfers out in lieu of taxes	3,011,345	5,402,707	1,426,945	—	—	9,840,997
Total	<u>\$ 7,470,061</u>	<u>\$ 9,718,327</u>	<u>\$ 2,636,189</u>	<u>\$ 10,208</u>	<u>\$ —</u>	<u>\$19,834,785</u>

FORT WAYNE CITY UTILITIES
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Note 11. Interfund Assets and Liabilities

As of December 31, 2019, amounts due from/to other funds of the City resulting from various interfund transactions were as follows:

Due from City:

Receivable Fund	Payable Fund					Total
	General	Parks	Self Insurance	Garage	Solid Waste	
Water	\$ —	\$ 1,588	\$ 1,849	\$ 4,478	\$ 6,044	\$ 13,959
Wastewater	2,580	—	1,631	4,172	9,067	17,450
Stormwater	—	—	100	2,018	3,261	5,379
Yard Waste	—	—	2	3	54	59
Total	<u>\$ 2,580</u>	<u>\$ 1,588</u>	<u>\$ 3,582</u>	<u>\$ 10,671</u>	<u>\$ 18,426</u>	<u>\$ 36,847</u>

Due to City:

Receivable Fund	Payable Fund				Total
	Water	Wastewater	Stormwater	Yard Waste	
General	\$ 1,612,571	\$ 2,849,071	\$ 767,288	\$ 771	\$ 5,229,701
LIT-ED	57,120	—	—	—	57,120
Redevelopment	61	92	33	—	186
Self Insurance	274,352	251,181	64,509	482	590,524
Garage	96,158	90,623	33,204	24	220,009
Solid Waste	800,096	1,200,144	431,760	7,318	2,439,318
Cumulative Improvement	387	580	209	3	1,179
Parking	1,430	2,150	900	12	4,492
Total	<u>\$ 2,842,175</u>	<u>\$ 4,393,841</u>	<u>\$ 1,297,903</u>	<u>\$ 8,610</u>	<u>\$ 8,542,529</u>

Note 12. Equity Transfers

The ten-year sewer capacity improvement program includes storm sewer construction funded through the Wastewater Utility or Stormwater Utility. New storm sewers allow old combined sewers to be converted to sanitary-only lines. As projects are completed, the new storm sewers are transferred from the Wastewater Utility to the Stormwater Utility and new sanitary sewers are transferred from Stormwater Utility to Wastewater Utility. The amount transferred from Wastewater Utility to Stormwater Utility was \$3,479,689 in 2019.

Note 13. Risk Management

The City of Fort Wayne, including FWCU, retains the risk of loss for claims related to employee health, on-the-job injury, auto, and general liabilities, while continuing to buy premium insurance

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
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for a number of other risks. The City of Fort Wayne has established internal service funds to finance these risks. Interfund premiums are billed monthly on a cost allocation basis most appropriate to the type of risk involved. An excess policy covers individual health insurance claims in excess of \$325,000 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 \$400,000 per employee per injury. The general and auto liability is limited by Indiana government tort liability limits of \$700,000 per occurrence and \$5,000,000 per aggregate. Liabilities are the responsibility of the City of Fort Wayne's internal service funds.

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

Plan Description:

FWCU contributes to Indiana's Public Employees' Retirement Fund (PERF), a cost-sharing multiple-employer defined benefit pension plan. PERF provides retirement, disability, and survivor benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system and give FWCU authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account (ASA). The annuity savings account consists of member's contributions, set by state statute at three percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report is available online at <http://www.inprs.in.gov> or may be obtained by contacting:

Indiana Public Retirement System
One North Capitol Avenue, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Benefits Provided:

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

A member who has reached age 65 and has at least ten years of creditable service is eligible for normal retirement and is entitled to 100 percent of the pension benefit component. This annual

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pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position.

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

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

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

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

Contributions:

The contribution requirements of the plan members and FWCU are established and may be amended by the INPRS Board of Trustees. The required contributions are based on actuarial investigations and valuation in accordance with IC 5-10.2. The funding policy provides for periodic employer contributions at actuarially determined rates, that expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. A contribution of three percent of covered payroll is required into the annuity savings account portion. FWCU elected to make this contribution on behalf of their members in 2019. For 2019, FWCU is required to contribute at an actuarially determined rate of 11.2 percent of annual covered payroll. FWCU contribution to the plan for the year ending December 31, 2019 was \$2,361,409 and was equal to the required contribution for each year.

Actuarial Assumptions:

The actuarial assumptions used in the June 30, 2019 valuation of the Public Employee's Pension Fund were adopted by the INPRS Board in April, 2015. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
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(Continued)

Inflation	2.25%
Salary increases	2.50% to 4.25%
Cost-of-living increases	0.4% to 1.0%

The actuarial assumptions for the June 30, 2019 valuation were generally unchanged from the prior year, except that for active and inactive vested members, a salary load of \$400 was added to approximate the impact on average monthly earnings of unused sick leave accumulated at termination of employment. For disabled members, the mortality assumption is updated from the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality tables to the RP-2014 (with MP-2014 improvement removed) Disability Mortality Tables. Mortality rates for healthy members were based on the RP-2014 (with MP-2014 improvement removed) Total Dataset mortality tables projected on a fully generational basis using the future mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee Report. Mortality rates for disabled members were based on RP-2014 (with MP-2014 improvement removed) Disability Mortality Table projected on a fully generational basis using the future mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee Report.

The actuarial assumptions used are based on plan experience from July 1, 2010 through June 30, 2014 and were first used in the June 30, 2015 valuation. The actuarial cost method used for computing the total pension liability is the Entry Age Normal - Level Percent of Payroll method.

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

	Target Allocation (%)	Long Term Expected Real Rate of Return (%)
Public Equity	22.0	4.4
Private Equity	14.0	5.4
Fixed Income - Ex Inflation Linked	20.0	2.2
Fixed Income - Inflation Linked	7.0	0.8
Commodities	8.0	2.3
Real Estate	7.0	6.5
Absolute Return	10.0	2.7
Risk Parity	12.0	5.2
Total	<u>100.0</u>	

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2019
(Continued)

Discount Rate:

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

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

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

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Proportionate share of the net pension liability	\$21,467,578	\$13,367,000	\$6,610,498

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

As of December 31, 2019, FWCU reported a liability of \$13,367,000 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The FWCU proportion of the net pension liability was based on wages reported by employers relative to the collective wages of the plan. At June 30, 2019, the FWCU proportion was 0.0040444, which was an increase of 0.0000347 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, FWCU recognized pension expenses of \$1,641,322. At June 30, 2019, FWCU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
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(Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 353,953	\$ —
Net difference between projected and actual investment earnings on pension plan investments	—	631,824
Changes of assumptions	2,976	1,453,092
Changes in proportion and differences between employer contributions and proportionate share of contributions	102,714	245,055
Employer contributions subsequent to the measurement date	1,214,822	—
Total	<u>\$ 1,674,465</u>	<u>\$ 2,329,971</u>

The \$1,214,822 reported as deferred outflows of resources related to pensions resulting from FWCU contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2020	\$ (624,717)
2021	(1,025,593)
2022	(170,959)
2023	(49,059)
2024	—
Thereafter	—

Pension Plan Fiduciary Net Position:

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

Indiana Public Retirement System
One North Capitol Avenue, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Benefit Payment Policies:

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

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2019
(Continued)

Valuation of Pension Plan Investments:

The pooled and non-pooled investments are generally reported at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Short-term investments consist primarily of cash, money market funds, certificates of deposits and fixed income instruments with maturities of less than one year. Short-term investments are generally reported at cost-based measures, which approximates fair value.

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

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

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

Note 15. Other Post-Employment Benefits

Plan Description:

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

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
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(Continued)

Benefits Provided:

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

Employees Covered by Benefit Terms:

The following members were covered by the terms of the plan as of December 31, 2019 using the latest employee census data. The plan's last valuation date was December 31, 2019.

Active plan members: fully eligible	41
Active plan members: not fully eligible	307
Inactive members currently receiving benefit payments	47
Inactive plan members entitled to but not yet receiving benefit payments	—
Total	395

Contributions:

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

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

FWCU contributes the remainder of the costs. For the year ended December 31, 2019, the FWCU contributed \$728,202 to the plan.

Total OPEB Liability:

FWCU total OPEB liability was measured as of December 31, 2019 for a total of \$16,756,042.

FORT WAYNE CITY UTILITIES
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Actuarial Methods and Assumptions:

FWCU total OPEB liability was determined by an actuarial valuation as of December 31, 2019 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	2.5%
Salary increases	2.5%
Discount rate	3.26%
Healthcare cost trend rates:	
Medical	9.0% first year, graded down to 5.0% over 11 years
Dental	5.0% per year

Mortality rates were based on the RP-2014 Total Dataset Mortality Table adjusted to 2006 base mortality year and then projected forward using the MP-2019 generational future mortality improvement scale.

The assumptions presented above were the results of an actuarial experience study for that period and are based on plan provisions, past plan experience, and the experience of similar plans.

Discount Rate:

The discount rate used to measure the total OPEB liability was 3.26 percent for 2019. A change from 3.50 percent as of the prior measurement date. This discount rate was applied to all periods of projected future benefit payments to determine the total OPEB liability. The discount rate used to measure the total OPEB liability is based on 20 year tax-exempt general obligation municipal bonds with a rating of AA/Aa or higher. The discount rate is based on the assumption that the general assets of FWCU will cover the benefits using a pay-as-you-go basis. These assets are a mix of short term, low risk bonds.

Changes in Total OPEB Liability:

	Total OPEB Liability
Balance at December 31, 2018	\$ 18,127,529
Changes for the year:	
Service cost	417,624
Interest cost	630,123
Difference between expected and actual experience	(1,745,425)
Changes in assumption	54,393
Benefit payments	(728,202)
Net Changes	(1,371,487)
Balance at December 31, 2019	<u>\$ 16,756,042</u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2019
(Continued)

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

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

	1% Decrease 2.26%	Current Discount Rate 3.26%	1% Increase 4.26%
Total OPEB Liability	\$ 18,246,666	\$ 16,756,042	\$ 15,412,603

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

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

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	\$15,292,879	\$16,756,042	\$18,464,265

OPEB Expense and Deferred Outflows of Resources Related to OPEB:

For the year ended December 31, 2019, FWCU recognized the following OPEB expense:

Service cost	\$ 417,624
Interest cost	630,123
Difference between expected and actual experience	(112,225)
Changes in assumptions	250,386
Total OPEB expense	\$ 1,185,908

For the year ended December 31, 2019, FWCU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 677,504	\$ 1,549,969
Changes in assumptions	2,036,862	—
Total	\$ 2,714,366	\$ 1,549,969

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

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
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(Continued)

For the year ending December 31,	
2020	\$ 138,161
2021	138,161
2022	138,161
2023	138,161
2024	138,161
Thereafter	473,592
Total	<u>\$ 1,164,397</u>

Note 16. Commitments and Contingencies

Consent Decree:

The FWCU combined storm and sanitary sewer system does not comply with federal Clean Water regulations. After several years of negotiations with the Environmental Protection Agency (EPA) and Indiana Department of Environmental Management (IDEM), the EPA lodged a Consent Decree with the federal court on December 28, 2007. The Consent Decree became effective April 1, 2008. Under the terms and conditions of the Consent Decree, FWCU committed to reduce the number of 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, concluding in 2025. FWCU also agreed to eliminate three known sanitary sewer overflows at an estimated combined cost of \$31 million by specific dates noted in the Consent Decree. Additionally, FWCU committed to maintain the entire sewer system to performance standards prescribed in the FWCU Long-Term Control Plan incorporated by reference into the Consent Decree. The Consent Decree further provides for stipulated penalties for failure to achieve specified construction milestones, reporting deadlines or maintenance objectives. FWCU is in full compliance with the Consent Decree's terms and conditions.

Aqua Agreement:

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

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
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(Continued)

Other:

FWCU has entered into many contracts for various construction projects. Remaining contract payments as of December 31, 2019 for each utility are as follows:

Water Utility	\$	9,213,683
Wastewater Utility		89,127,423
Stormwater Utility		3,136,076
		\$ 101,477,182

Major contracts awarded subsequent to December 31, 2019:

Board of Works Award Date	Vendor	Major Contract Project Description	Amount
<u>Water Utility</u>			
01/07/2020	Seven Brothers	Southwest Tank Painting	\$ 1,004,200
01/28/2020	Jutte Excavating	Filter Underdrain Replacement Filter 21 & 23	959,800
03/10/2020	Fox Contractors	Steup Cherokee WMR	2,154,897
01/21/2020	Robbco Inc.	2020 Annual On-Call Emergency Construction Services	405,000
01/07/2020	FWCS Anthis Career Center	Cut Restoration of Concrete & Soil	355,000
01/07/2020	Itron Inc.	Water Meter Radios	313,400
			\$ 5,192,297
<u>Wastewater Utility</u>			
01/07/2020	Bunn Inc.	Petit-Rudisill Neighborhood Sewer Open Cuts	\$ 455,900
01/28/2020	T-E Inc	Long Rd Lift Station	322,670
02/11/2020	Inland Waters	2020 CIPP Pkg #1 - Small & Medium Diameter	3,141,446
03/03/2020	Ottenweller Contracting	CSO 54 Equalization Facility	2,315,210
03/10/2020	Insituform Technologies	St Joe Interceptor Rehab - E State Blvd to Tennessee Ave	3,841,443
03/10/2020	Shambaugh & Son	WPCP 5KV Electrical Distribution Upgrades	5,166,880
03/10/2020	Dunigan Bros	Superior Street Utility Improvements - Calhoun to Barr	1,929,913
01/21/2020	Black & Veatch Corp.	3RPORT Deep Dewatering Pump Station Final Design	627,930
03/24/2020	Ottenweller Contracting	CSOM11 - Hanna, Brown, & Rolling Mills Regulator Modifications	354,000
03/24/2020	Underground Contractors	Thorngate Lift Station	417,930
03/27/2020	Midwest Mole	Long Rd Force Main	307,350
03/24/2020	Underground Contractors	Thorngate Force Main	418,875
			\$ 19,299,547
<u>Stormwater Utility</u>			
01/07/2020	Crosby Excavating	Brookside Parkerdale Drainage Improvements	\$ 1,487,884
01/07/2020	API Construction Corporation	Huffman-Putnam Sewer Separation Oakland to Hamilton	1,064,755
			\$ 2,552,639

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2019
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Note 17. Subsequent Events

On February 25, 2020, the Common Council authorized the issuance of Sewage Works Revenue Bonds in amount not to exceed \$310,000,000 for the purpose of refunding certain outstanding Sewage Works Revenue Bonds and for providing necessary funds for the acquisition and installation of certain improvements to the City's Sewage Works.

On March 24, 2020, the Common Council approved FWCU to finance the purchase of various vehicles and equipment items for a not to exceed gross amount of \$3,000,000 and authorized the acceptance of the Lessor, JPMorgan Chase Equipment Finance.

On July 21, 2020, the Board of Public Works approved a change order between FWCU and Salini Impregilo, for the Three Rivers Protection and Overflow Reduction Tunnel (3RPORT). This change order increases the original contract price by \$36,090,966 to a new contract price of \$223,753,966 and extends the completion date by 531 days.

Note 18. Restatement

During the year ended December 31, 2018, the City of Fort Wayne implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits other than Pensions*. This statement replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. This statement establishes standards for recognizing and measuring Other Post-Employment Benefits (OPEB) liabilities, deferred outflows of resources and expenses. The implementation of this standard required the restatement of the December 31, 2017 net position. For the year ended December 31, 2018 information to segregate FWCU proportionate share of liability and deferred outflows of resources was not available. Therefore, the total OPEB Liability was considered a liability of the City of Fort Wayne as a whole and was not presented in the FWCU financial statements. For the year ended December 31, 2019 FWCU has obtained actuarial figures to segregate the proportionate share (see Note 15), therefore, FWCU net position as of January 1, 2019 has been restated as follows:

	Water	Wastewater	Stormwater	Electric	Yard Waste	Total
Net position, previously reported at December 31, 2018	\$ 188,381,386	\$ 333,005,030	\$ 127,659,992	\$ 90,501	\$ 167,093	\$ 649,304,002
Total OPEB liability	(5,963,957)	(8,936,872)	(3,226,700)	—	—	(18,127,529)
Deferred outflows of resources related to OPEB:						
Differences between expected and actual experience	250,282	375,042	135,411	—	—	760,735
Changes in assumptions	734,609	1,100,798	397,448	—	—	2,232,855
Total Restatements	(4,979,066)	(7,461,032)	(2,693,841)	—	—	(15,133,939)
Net position, restated at January 1, 2019	<u>\$ 183,402,320</u>	<u>\$ 325,543,998</u>	<u>\$ 124,966,151</u>	<u>\$ 90,501</u>	<u>\$ 167,093</u>	<u>\$ 634,170,063</u>

FORT WAYNE CITY UTILITIES
Required Supplementary Information
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Schedule of Proportionate Share of the Net Pension Liability:

	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset)	0.40 %	0.41 %	0.41 %	0.45 %	0.42 %	0.40 %
Proportionate share of the net pension liability (asset)	\$ 13,367,000	\$ 13,621,132	\$ 18,363,713	\$ 20,490,169	\$ 17,196,200	\$ 10,437,633
Covered employee-payroll	\$ 21,071,663	\$ 20,459,753	\$ 20,419,990	\$ 21,637,668	\$ 20,223,082	\$ 19,391,743
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	63.44 %	66.58 %	89.93 %	94.70 %	85.03 %	53.83 %
Plan fiduciary net position as a percentage of the total pension liability	80.06 %	78.89 %	76.60 %	75.30 %	77.30 %	84.30 %

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

Schedule of Contributions for Pension Plan:

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 2,361,409	\$ 2,297,316	\$ 2,269,585	\$ 2,647,487	\$ 2,163,471	\$ 2,196,819
Contributions in relation to the contractually required contributions	2,361,409	2,297,316	2,269,585	2,647,487	2,163,471	2,196,819
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered-employee payroll	\$ 21,084,009	\$ 20,511,750	\$ 20,264,152	\$ 23,638,268	\$ 19,316,705	\$ 19,614,455
Contributions as a percentage of covered-employee payroll	11.2 %	11.2 %	11.2 %	11.2 %	11.2 %	11.2 %

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

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

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Schedule of Changes in Total OPEB Liability:

	<u>2019</u>	<u>2018</u>
Service cost	\$ 417,624	\$ 587,943
Interest	630,123	887,104
Difference between expected and actual experience	(1,745,425)	—
Changes in assumptions	54,393	—
Benefit payments	<u>(728,202)</u>	<u>(966,259)</u>
Total change in total OPEB liability	(1,371,487)	508,788
Total OPEB liability - beginning	<u>18,127,529</u>	<u>17,618,741</u>
Total OPEB liability - ending	<u><u>\$ 16,756,042</u></u>	<u><u>\$ 18,127,529</u></u>
Covered-employee payroll	\$ 21,422,072	\$ 16,268,631
Total OPEB liability as a percentage of covered-employee payroll	78.22 %	111.43 %

There were no benefit changes since the last reporting period.

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

FORT WAYNE CITY UTILITIES
Notes to Required Supplementary Information
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Note 1. Financial Reporting - Pension Plans - Changes in Assumptions

For the actuarial valuation as of June 30, 2019, for active and inactive vested members, a salary load of \$400 was added to approximate the impact on average monthly earnings of unused sick leave accumulated at termination of employment. For disabled members, the mortality assumption is updated from RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Tables to the RP-2014 (with MP-2014 improvement removed) Disability Mortality Tables.