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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of Fort Wayne City Utilities (Utilities), a division of the City of Fort Wayne, Indiana (City), as of and for the year ended December 31, 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity'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 entity'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund of the Utilities, as of December 31, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report

(Continued)

Emphasis of Matter

As discussed in Note 1, the financial statements of the Utilities are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities of each fund of the City that is attributable to the transactions of the Utilities. They do not purport to, and do not, present fairly the financial position of the City, as of December 31, 2020, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information.

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fort Wayne City Utilities' basic financial statements. The facts & figures other information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The facts & figures has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated September 29, 2021, on our consideration of Fort Wayne City Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fort Wayne City Utilities' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fort Wayne City Utilities' internal control over financial reporting and compliance.

BKD, LLP

Fort Wayne, Indiana
September 29, 2021

FORT WAYNE CITY UTILITIES
Management's Discussion and Analysis
For the Year Ended December 31, 2020

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, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the basic financial statements and the notes to the basic financial statements.

Financial Highlights

- The assets and deferred outflows of resources of FWCU exceeded its liabilities and deferred inflows of resources (net position) as of December 31, 2020 and 2019 by \$716.9 million and \$672.4 million, respectively.
- The FWCU net position increased for the years ended December 31, 2020 and 2019 by \$44.5 million and \$38.2 million, respectively.
- FWCU added new bonded debt, long-term loans payable and capital lease payable for years ended December 31, 2020 and 2019 of \$158.44 million and \$57.1 million, respectively. The 2020 increase in debt is mainly due to issuance of new bonds and loans and additional draws against existing Wastewater State Revolving Fund (SRF) loans in Wastewater Utility. Additionally, FWCU has entered into a new capital lease covering all Utilities. The 2019 increase in debt consists of new bonds and SRF loans in Water Utility.

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

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.

- The FWCU net investment in capital assets for the years ended December 31, 2020 and 2019 increased approximately \$25.2 million in 2020 after it increased approximately \$31.3 million in 2019. Significantly, FWCU continues to meet all capital investment milestones required by the 2008 Federal Consent Decree.

FORT WAYNE CITY UTILITIES
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(Continued)

Overview of the Financial Statements

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

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		Variance	
	December 31,		2020 – 2019	
	2020	2019	Amount	Percent
Net capital assets	\$ 1,256.1	\$ 1,161.5	\$ 94.6	8.1 %
Other assets	248.0	199.6	48.4	24.2 %
Total assets	<u>\$ 1,504.1</u>	<u>\$ 1,361.1</u>	<u>\$ 143.0</u>	<u>10.5 %</u>
Deferred Outflows of Resources	<u>\$ 7.9</u>	<u>\$ 6.0</u>	<u>\$ 1.9</u>	<u>31.7 %</u>
Current liabilities	78.0	73.5	4.5	6.1 %
Long term liabilities	710.7	617.3	93.4	15.1 %
Total liabilities	<u>\$ 788.7</u>	<u>\$ 690.8</u>	<u>\$ 97.9</u>	<u>14.2 %</u>
Deferred Inflows of Resources	<u>\$ 6.4</u>	<u>\$ 3.9</u>	<u>\$ 2.5</u>	<u>64.1 %</u>
Total net position	<u>\$ 716.9</u>	<u>\$ 672.4</u>	<u>\$ 44.5</u>	<u>6.6 %</u>
Net investment in capital assets	602.4	577.2	25.2	4.4 %
Restricted	76.8	76.4	0.4	0.5 %
Unrestricted	37.7	18.8	18.9	100.5 %
Total net position	<u>\$ 716.9</u>	<u>\$ 672.4</u>	<u>\$ 44.5</u>	<u>6.6 %</u>

FORT WAYNE CITY UTILITIES
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(Continued)

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

	Year Ended		Variance	
	December 31,		2020 – 2019	
	2020	2019	Amount	Percent
Operating revenues:				
Water service revenues	\$ 53.3	\$ 49.3	\$ 4.0	8.1 %
Wastewater services revenues	88.6	85.0	3.6	4.2 %
Stormwater service revenues	14.8	13.8	1.0	7.2 %
Electric revenues	—	—	—	— %
Yard Waste revenues	0.6	0.5	0.1	20.0 %
Total operating revenues	<u>157.3</u>	<u>148.6</u>	<u>8.7</u>	<u>5.9 %</u>
Operating expenses:				
Water operations	38.1	37.0	1.1	3.0 %
Wastewater operations	49.2	41.4	7.8	18.8 %
Stormwater operations	7.3	8.0	(0.7)	(8.8)%
Electric operations	—	—	—	— %
Yard Waste operations	0.1	0.2	(0.1)	(50.0)%
Total operating expenses	<u>94.7</u>	<u>86.6</u>	<u>8.1</u>	<u>9.4 %</u>
Operating Income	<u>62.6</u>	<u>62.0</u>	<u>0.6</u>	<u>1.0 %</u>
Net nonoperating revenues (expenses)	<u>(20.7)</u>	<u>(15.2)</u>	<u>(5.5)</u>	<u>36.2 %</u>
Income before capital contributions and transfers out	41.9	46.8	(4.9)	(10.5)%
Capital contributions	11.4	1.4	10.0	714.3 %
Net transfers out	<u>(8.8)</u>	<u>(10.0)</u>	<u>1.2</u>	<u>(12.0)%</u>
Change in net position	44.5	38.2	6.3	16.5 %
Net position - beginning of year	<u>672.4</u>	<u>634.2</u>	<u>38.2</u>	<u>6.0 %</u>
Net position - end of year	<u>\$ 716.9</u>	<u>\$ 672.4</u>	<u>\$ 44.5</u>	<u>6.6 %</u>

Financial Analysis

Net position may serve over time as a useful indicator of a governmental unit's financial health. The net position of FWCU was \$716.9 million and \$672.4 million as of December 31, 2020 and 2019, respectively. The largest portion (84.0 percent) of the FWCU net position in 2020 reflects its net investment in capital assets (land, buildings, machinery, equipment and distribution and collection infrastructure, less any related outstanding debt used to acquire those assets).

Another significant portion of the FWCU net position (\$76.8 million, or 10.7 percent) represents resources that are subject to external restrictions on how they may be used.

FORT WAYNE CITY UTILITIES
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(Continued)

The FWCU net position increased \$44.5 million and \$38.2 million for the years ended December 31, 2020 and 2019, respectively.

Operating revenues increased \$8.7 million (5.9 percent) across utilities mainly due to approved scheduled rate increases. In turn, operating expenses increased \$8.1 million (9.4 percent) mainly due to increased depreciation expense related to completed capital projects being transferred from construction in progress, as a result of various major capital projects being finalized during the reporting year, as well as due to increased energy and chemicals cost.

Net nonoperating expenses increased \$5.5 million mainly due to interest expense associated with issuance of new debt and refunding of previous debt.

Capital contributions record a significant increase (\$10.0 million) due to various major developer deal infrastructure projects, for which FWCU took ownership during the reporting year.

Capital Assets and Capital Improvement Program

The FWCU capital assets in service total \$1,756.6 million with an accumulated depreciation of \$500.5 million for a net book value of \$1,256.1 million. The statement of net position also includes \$312.0 million in construction in progress reflecting capital projects in various stages of completion. During 2020, approximately \$132.2 million was invested in capital projects (see Note 5).

Debt

As more fully detailed in Note 9, at December 31, 2020, FWCU had approximately \$725.2 million in bonds, loans and leases payable, a net increase of \$99.7 million over last year.

The 2020 net increase of \$99.7 million in debt is mainly due to issuance of new debt as follows:

- \$35.2 million in new bond issuance, from which \$18.9 million was used to refund existing debt
- \$120.3 million in new State Revolving Fund loans and draws against existing loans
- \$3.0 million in new capital lease.

FWCU paid principal of \$39.1 million and \$37.3 million in 2020 and 2019, respectively.

Economic Factors and Next Year's Budget and Rates

FWCU operates a water, wastewater, and stormwater utility serving the greater Fort Wayne area. Using its strategic plan as a guide its mission is to support public safety, public health, and enhance regional economic development by delivering high-quality and affordable water, wastewater, and stormwater services in ways that protect the environment. FWCU is successfully achieving its vision of a becoming nationally recognized as a regional utility of excellence, as

FORT WAYNE CITY UTILITIES
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(Continued)

evidenced by several national awards, through its six strategic initiatives: human capital development; community and employee engagement; customer service; technology; affordability and cost management; and, environmental stewardship and conservation.

On December 28, 2007, FWCU agreed to a Long-Term Control Plan (LTCP) to reduce Combined Sewer Overflows (CSOs), as part of a federal Consent Decree, which will ultimately bring the FWCU combined storm and sanitary sewer system into compliance with the federal Clean Water Act. The Consent Decree became effective April 1, 2008. Through the LTCP, FWCU committed to CSO reductions that require an investment of approximately \$240.0 million (denominated in 2005 dollars) in infrastructure solutions over the 18-year period from 2008 through 2025. This investment is currently projected to have a total cost of approximately \$340 million, while, through value engineering, projected improvement costs to the separate sanitary sewer system have been reduced by approximately \$100 million. The Consent Decree also required FWCU to eliminate three sanitary sewer overflows, which was accomplished at a cost of \$13.5 million; maintain the entire storm and sewer systems to prescribed performance standards; and, mitigate assessed penalties with local investments in septic tank elimination subsidies and rain garden stipends.

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

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

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

FORT WAYNE CITY UTILITIES
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(Continued)

pipeline, improves overall system flow, and reduces reactive maintenance. Since 2008, FWCU has invested \$52 million to line approximately 190 miles of pipe. The annual pipe enhancement rate since 2008 is 1.1 percent which exceeds our annual goal of one percent per year.

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

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

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

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

Request for Information

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

FORT WAYNE CITY UTILITIES

Statement of Net Position

At December 31, 2020

	Water	Wastewater	Stormwater	Electric	Yard Waste	Total
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	\$ 11,777,876	\$ 28,942,893	\$ 11,428,792	\$ —	\$ 855,456	\$ 53,005,017
Receivables:						
Customers, net of allowance for doubtful accounts of \$53,685	6,026,418	10,490,486	1,823,933	—	64,231	18,405,068
Due from City of Fort Wayne	127,870	162,180	284,336	—	540	574,926
Materials and supplies	1,269,329	71,063	—	—	—	1,340,392
Prepaid expenses	85,365	109,723	1,528	—	1	196,617
Total current assets	<u>19,286,858</u>	<u>39,776,345</u>	<u>13,538,589</u>	<u>—</u>	<u>920,228</u>	<u>73,522,020</u>
NONCURRENT ASSETS:						
Restricted cash and cash equivalents	36,501,192	125,856,121	7,328,981	—	123	169,686,417
Regulatory assets	1,986,041	1,954,909	297,145	—	—	4,238,095
Installments receivable	101,637	—	—	—	—	101,637
Assessments receivable	—	425,293	—	—	—	425,293
Capital assets:						
Land	5,875,200	4,230,449	6,273,776	75,732	—	16,455,157
Distribution and collection	250,164,834	402,459,963	179,097,744	—	—	831,722,541
Buildings and improvements	85,466,635	214,558,400	3,265,112	1,121,198	68,777	304,480,122
Equipment and other	132,057,111	153,552,535	5,982,325	342,787	48,807	291,983,565
Less: Accumulated depreciation	(192,889,002)	(252,277,462)	(53,801,676)	(1,450,404)	(116,166)	(500,534,710)
Plus: Construction in progress	32,327,053	267,504,085	12,155,243	—	3,714	311,990,095
Net capital assets	<u>313,001,831</u>	<u>790,027,970</u>	<u>152,972,524</u>	<u>89,313</u>	<u>5,132</u>	<u>1,256,096,770</u>
Total noncurrent assets	<u>351,590,701</u>	<u>918,264,293</u>	<u>160,598,650</u>	<u>89,313</u>	<u>5,255</u>	<u>1,430,548,212</u>
Total assets	<u>\$ 370,877,559</u>	<u>\$ 958,040,638</u>	<u>\$ 174,137,239</u>	<u>\$ 89,313</u>	<u>\$ 925,483</u>	<u>\$ 1,504,070,232</u>
DEFERRED OUTFLOWS OF RESOURCES (Note 6):	<u>\$ 2,384,431</u>	<u>\$ 4,680,216</u>	<u>\$ 913,411</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7,978,058</u>
LIABILITIES						
CURRENT LIABILITIES:						
Accounts payable	\$ 3,297,966	\$ 11,232,257	\$ 934,141	\$ —	\$ 18,815	\$ 15,483,179
Wages and withholdings payable	562,127	505,715	97,904	—	617	1,166,363
Due to City of Fort Wayne	3,217,289	3,126,714	551,014	—	3,763	6,898,780
Compensated absences payable - current portion	698,313	741,949	142,201	—	1,139	1,583,602
Other current liabilities	328,741	303,889	—	—	—	632,630
Accrued interest payable	388,841	5,842,540	239,417	—	—	6,470,798
Bonds payable - current portion	3,320,000	17,885,000	1,620,000	—	—	22,825,000
Loans payable - current portion	5,230,000	14,778,183	—	—	—	20,008,183
Capital lease payable - current portion	294,233	602,059	246,401	—	30	1,142,723
Customer deposits	1,826,817	—	—	—	—	1,826,817
Total current liabilities	<u>19,164,327</u>	<u>55,018,306</u>	<u>3,831,078</u>	<u>—</u>	<u>24,364</u>	<u>78,038,075</u>
NONCURRENT LIABILITIES:						
Bonds payable, net of unamortized bond discount/premium	99,030,427	156,728,983	21,082,519	—	—	276,841,929
Loans payable	41,146,204	358,004,515	—	—	—	399,150,719
Capital lease payable	1,362,755	2,697,540	1,132,652	—	143	5,193,090
Compensated absences payable	231,166	219,931	18,573	—	254	469,924
Net pension liability	4,044,904	5,803,667	2,297,340	—	—	12,145,911
Total OPEB liability	5,560,717	8,337,376	2,995,113	—	—	16,893,206
Total noncurrent liabilities	<u>151,376,173</u>	<u>531,792,012</u>	<u>27,526,197</u>	<u>—</u>	<u>397</u>	<u>710,694,779</u>
Total liabilities	<u>\$ 170,540,500</u>	<u>\$ 586,810,318</u>	<u>\$ 31,357,275</u>	<u>\$ —</u>	<u>\$ 24,761</u>	<u>\$ 788,732,854</u>
DEFERRED INFLOWS OF RESOURCES (Note 7):	<u>\$ 2,184,319</u>	<u>\$ 3,336,495</u>	<u>\$ 928,798</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,449,612</u>
NET POSITION:						
Net investment in capital assets	\$ 179,513,536	\$ 290,517,132	\$ 132,302,949	\$ 89,313	\$ 4,957	\$ 602,427,887
Restricted						
For debt service	14,182,362	58,451,602	2,871,383	—	—	75,505,347
For capital projects	515,855	793,054	—	—	—	1,308,909
Unrestricted	6,325,418	22,812,253	7,590,245	—	895,765	37,623,681
Total net position	<u>\$ 200,537,171</u>	<u>\$ 372,574,041</u>	<u>\$ 142,764,577</u>	<u>\$ 89,313</u>	<u>\$ 900,722</u>	<u>\$ 716,865,824</u>

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, 2020

	Water	Wastewater	Stormwater	Electric	Yard Waste	Total
OPERATING REVENUES:						
Charges for goods and services	\$ 53,324,295	\$ 88,644,520	\$ 14,698,192	\$ —	\$ 574,790	\$ 157,241,797
OPERATING EXPENSES:						
Personnel services	10,475,290	8,732,872	1,974,601	—	13	21,182,776
Contractual services	1,752,558	3,423,855	316,505	—	100,886	5,593,804
Utilities	1,891,375	2,010,205	54,446	—	6,163	3,962,189
Chemicals	3,700,094	927,809	9,389	—	—	4,637,292
Administrative services	5,448,021	8,703,128	1,392,642	—	31,149	15,574,940
Other supplies/services	4,207,739	3,821,150	542,040	—	—	8,570,929
Depreciation	10,600,509	21,556,991	3,017,176	581	400	35,175,657
Total operating expenses	38,075,586	49,176,010	7,306,799	581	138,611	94,697,587
Operating income (loss)	15,248,709	39,468,510	7,391,393	(581)	436,179	62,544,210
NONOPERATING REVENUES (EXPENSES):						
Investment income	631,081	718,588	250,268	—	—	1,599,937
Interest expense	(4,792,100)	(13,989,280)	(587,594)	—	—	(19,368,974)
Amortization of regulatory assets	(268,490)	(305,154)	(42,610)	—	—	(616,254)
Gain/(Loss) on disposal of assets	(1,603,056)	(651,350)	(87,479)	—	(3)	(2,341,888)
Total nonoperating revenues (expenses)	(6,032,565)	(14,227,196)	(467,415)	—	(3)	(20,727,179)
Income (loss) before capital contributions and transfers	9,216,144	25,241,314	6,923,978	(581)	436,176	41,817,031
Capital contributions	5,061,323	5,478,557	829,455	—	—	11,369,335
Transfers in	649,375	—	3,401,357	—	—	4,050,732
Transfers out	(3,395,568)	(8,609,328)	(725,340)	—	—	(12,730,236)
Change in net position	11,531,274	22,110,543	10,429,450	(581)	436,176	44,506,862
Total net position-beginning of year	189,005,897	350,463,498	132,335,127	89,894	464,546	672,358,962
Total net position-end of year	\$ 200,537,171	\$ 372,574,041	\$ 142,764,577	\$ 89,313	\$ 900,722	\$ 716,865,824

See accompanying notes to the financial statements.

FORT WAYNE CITY UTILITIES
Statement of Cash Flows
For the Year Ended December 31, 2020

	Water	Wastewater	Stormwater	Electric	Yard Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers and others	\$ 53,151,966	\$ 89,354,580	\$ 14,480,716	\$ —	\$ 512,132	\$ 157,499,394
Payments to suppliers	(16,766,431)	(19,511,465)	(3,098,131)	—	(139,181)	(39,515,208)
Payments to employees	(10,750,249)	(9,283,095)	(2,033,293)	—	(810)	(22,067,447)
Net cash provided by operating activities	<u>25,635,286</u>	<u>60,560,020</u>	<u>9,349,292</u>	<u>—</u>	<u>372,141</u>	<u>95,916,739</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers out	(3,395,568)	(4,558,596)	(725,340)	—	—	(8,679,504)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets	(23,719,230)	(88,981,706)	(8,306,024)	—	1,723	(121,005,237)
Proceeds from long-term debt	9,273,104	133,952,077	557,957	—	87	143,783,225
Bond discount & premium addition	—	1,379,209	—	—	—	1,379,209
Interest paid on long-term debt	(4,948,474)	(13,374,148)	(628,260)	—	—	(18,950,882)
Regulatory assets	—	(868,068)	—	—	—	(868,068)
Principal paid on long-term debt	(8,522,766)	(28,803,543)	(1,797,805)	—	(21)	(39,124,135)
Proceeds from sales of assets	4,431	7,297	25,232	—	5	36,965
Contribution in aid of construction	68,000	—	—	—	—	68,000
Net cash provided (used) by capital and related financing activities	<u>(27,844,935)</u>	<u>3,311,118</u>	<u>(10,148,900)</u>	<u>—</u>	<u>1,794</u>	<u>(34,680,923)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Sale of investments	—	24,000,000	—	—	—	24,000,000
Investment income received	631,081	1,329,273	250,268	—	—	2,210,622
Net cash provided by investing activities	<u>631,081</u>	<u>25,329,273</u>	<u>250,268</u>	<u>—</u>	<u>—</u>	<u>26,210,622</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,974,136)	84,641,815	(1,274,680)	—	373,935	78,766,934
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	53,253,204	70,157,199	20,032,453	—	481,644	143,924,500
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 48,279,068	\$ 154,799,014	\$ 18,757,773	\$ —	\$ 855,579	\$ 222,691,434
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ 15,248,709	\$ 39,468,510	\$ 7,391,393	\$ (581)	\$ 436,179	\$ 62,544,210
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	10,600,509	21,556,991	3,017,176	581	400	35,175,657
Provision for doubtful accounts	10,581	7,429	10,051	—	—	28,061
Changes in assets, liabilities and deferred outflows and inflows of resources:						
Receivables	(182,910)	702,631	(227,527)	—	(62,658)	229,536
Other assets	173,736	(527)	349	—	7	173,565
Accounts payable	59,620	(624,791)	(783,458)	—	(990)	(1,349,619)
Other liabilities	124,274	127,114	(66,184)	—	(797)	184,407
Deferred outflows - Pension	(349,718)	(598,238)	20,429	—	—	(927,527)
Deferred outflows - OPEB	(569,229)	(909,334)	(148,735)	—	—	(1,627,298)
Net pension liability	(427,137)	(682,344)	(111,608)	—	—	(1,221,089)
Total OPEB liability	47,980	76,647	12,537	—	—	137,164
Deferred inflows - Pension	183,275	292,779	47,889	—	—	523,943
Deferred Inflows - OPEB	715,596	1,143,153	186,980	—	—	2,045,729
Net cash provided by operating activities	<u>\$ 25,635,286</u>	<u>\$ 60,560,020</u>	<u>\$ 9,349,292</u>	<u>\$ —</u>	<u>\$ 372,141</u>	<u>\$ 95,916,739</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Capital assets acquired through accounts payable	\$ 2,691,993	\$ 9,583,483	\$ 806,184	\$ —	\$ 125	\$ 13,081,785
Capital asset contribution	4,993,323	5,478,557	829,455	—	—	11,301,335
Interfund capital asset transfers	649,375	(4,050,732)	3,401,357	—	—	—
Amortization of bond premium	135,276	570,555	38,753	—	—	744,584
Long term debt refunded	—	18,855,961	—	—	—	18,855,961
Amortization of deferred outflows of resources - Debt refunding loss	—	542,385	11,378	—	—	553,763

See accompanying notes to the financial statements.

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2020

Note 1. Nature of Operations and Significant Accounting Policies

Financial Reporting Entity:

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

Basis of Accounting and Financial Reporting:

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

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

Cash Equivalents:

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

Investments:

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

Accounts Receivable, Net:

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

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2020
(Continued)

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

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

Net Position:

The components of net position are categorized as follows:

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

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

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

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

Capital Assets:

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

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

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2020
(Continued)

Estimated useful lives, in years, are as follows:

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

Unbilled Utility Revenue:

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

Materials and Supplies:

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

Regulatory assets, Discounts, and Premiums:

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

Compensated Absences:

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

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

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

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2020
(Continued)

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

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

Classification of Revenue:

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

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

Deferred Outflows of Resources:

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

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

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

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

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2020
(Continued)

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.

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

Note 2. Deposits and Investments

Deposits:

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

Investments:

Authorization for investment activity is stated in Indiana Code IC 5-13. As of December 31, 2020 FWCU does not have any investments.

Investment Policies:

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

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2020
(Continued)

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.

Note 3. Restricted Assets

Restricted assets consisted of the following at December 31, 2020:

	Water Utility	Wastewater Utility	Stormwater Utility	Electric Utility	Yard Waste Utility	Total
Cash and cash equivalents:						
Sinking fund	\$ 1,101,340	\$ 19,725,054	\$ 910,250	\$ —	\$ —	\$ 21,736,644
Debt service reserve	13,469,863	44,569,088	2,200,550	—	—	60,239,501
Construction	19,587,317	60,768,925	4,218,181	—	123	84,574,546
Customer deposits	1,826,817	—	—	—	—	1,826,817
System development charge fund	211,120	—	—	—	—	211,120
Septic elimination program	—	793,054	—	—	—	793,054
Lead service line replacement program	304,735	—	—	—	—	304,735
Total cash and cash equivalents	<u>\$ 36,501,192</u>	<u>\$ 125,856,121</u>	<u>\$ 7,328,981</u>	<u>\$ —</u>	<u>\$ 123</u>	<u>\$ 169,686,417</u>

Sinking Fund:

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

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

Debt Service Reserve:

In addition to the sinking fund accounts, revenue bonds require debt service "reserve accounts" which require funding at: the lesser of ten percent of bond proceeds, the maximum annual principal and interest required thereon, or 125 percent of the average annual principal and interest requirements thereon. FWCU calculates its debt service reserve accounts on a consolidated basis and may fund the debt service reserve by holding cash or through the purchase of surety bond

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2020
(Continued)

insurance. Among other requirements, the surety bond insurer must maintain a AAA or Aaa rating with Standards and Poor's or Moody's respectively.

Prior to 2009, all FWCU revenue bonds' debt service reserves were funded through surety bond insurance. As a result of the financial crisis that occurred in late 2008 - early 2009 and up to and including 2020, 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, 2020, 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.

Lead Service Line Replacement Program

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

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2020
(Continued)

Note 4. Installments and Assessments Receivable

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

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

Note 5. Capital Assets

The following changes occurred in capital assets by fund during the year ended December 31, 2020:

Water Utility

	Balance, 1/1/2020	Additions	Disposals	Transfers and Adjustments	Balance, 12/31/2020
Land	\$ 5,906,432	\$ —	\$ 33,142	\$ 1,910	\$ 5,875,200
Distribution and collection	257,247,997	—	9,840,897	2,757,734	250,164,834
Buildings and improvement	87,159,867	—	2,889,405	1,196,173	85,466,635
Equipment and other	127,536,703	848,558	2,443,944	6,115,794	132,057,111
Construction in progress	14,107,250	27,452,360	—	(9,232,557)	32,327,053
	<u>491,958,249</u>	<u>28,300,918</u>	<u>15,207,388</u>	<u>839,054</u>	<u>505,890,833</u>
Less accumulated depreciation:					
Distribution and collection	78,064,467	4,057,199	8,436,053	—	73,685,613
Buildings and improvement	42,734,897	1,879,852	2,830,161	—	41,784,588
Equipment and other	74,951,223	4,663,458	2,333,688	137,808	77,418,801
Sub-total	<u>195,750,587</u>	<u>10,600,509</u>	<u>13,599,902</u>	<u>137,808</u>	<u>192,889,002</u>
Net Capital Assets	<u>\$ 296,207,662</u>	<u>\$ 17,700,409</u>	<u>\$ 1,607,486</u>	<u>\$ 701,246</u>	<u>\$ 313,001,831</u>

Wastewater Utility

	Balance, 1/1/2020	Additions	Disposals	Transfers and Adjustments	Balance, 12/31/2020
Land	\$ 4,038,389	\$ —	\$ 16,845	\$ 208,905	\$ 4,230,449
Distribution and collection	376,385,075	—	145,984	26,220,872	402,459,963
Buildings and improvement	180,331,398	—	129,163	34,356,165	214,558,400
Equipment and other	166,992,927	365,347	2,175,171	(11,630,568)	153,552,535
Construction in progress	224,851,928	95,277,048	—	(52,624,891)	267,504,085
	<u>952,599,717</u>	<u>95,642,395</u>	<u>2,467,163</u>	<u>(3,469,517)</u>	<u>1,042,305,432</u>
Less accumulated depreciation:					
Distribution and collection	96,011,451	6,102,614	47,726	—	102,066,339
Buildings and improvement	57,325,365	8,220,943	46,852	—	65,499,456
Equipment and other	78,769,901	7,233,434	1,713,938	422,270	84,711,667
Sub-total	<u>232,106,717</u>	<u>21,556,991</u>	<u>1,808,516</u>	<u>422,270</u>	<u>252,277,462</u>
Net Capital Assets	<u>\$ 720,493,000</u>	<u>\$ 74,085,404</u>	<u>\$ 658,647</u>	<u>\$ (3,891,787)</u>	<u>\$ 790,027,970</u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2020
(Continued)

Stormwater Utility

	Balance, 1/1/2020	Additions	Disposals	Transfers and Adjustments	Balance, 12/31/2020
Land	\$ 6,098,185	\$ —	\$ —	\$ 175,591	\$ 6,273,776
Distribution and collection	168,942,082	—	453,094	10,608,756	179,097,744
Buildings and improvement	2,909,958	—	1,288	356,442	3,265,112
Equipment and other	6,140,015	181,464	260,175	(78,979)	5,982,325
Construction in progress	12,522,161	8,055,728	—	(8,422,646)	12,155,243
	<u>196,612,401</u>	<u>8,237,192</u>	<u>714,557</u>	<u>2,639,164</u>	<u>206,774,200</u>
Less accumulated depreciation:					
Distribution and collection	45,881,745	2,554,207	343,707	—	48,092,245
Buildings and improvement	972,209	74,883	518	—	1,046,574
Equipment and other	5,086,147	388,086	257,620	(553,756)	4,662,857
Sub-total	<u>51,940,101</u>	<u>3,017,176</u>	<u>601,845</u>	<u>(553,756)</u>	<u>53,801,676</u>
Net Capital Assets	<u>\$ 144,672,300</u>	<u>\$ 5,220,016</u>	<u>\$ 112,712</u>	<u>\$ 3,192,920</u>	<u>\$ 152,972,524</u>

Electric Utility

	Balance, 1/1/2020	Additions	Disposals	Transfers and Adjustments	Balance, 12/31/2020
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	71	—	—	1,120,750
Equipment and other	329,144	510	—	—	329,654
Sub-total	<u>1,449,823</u>	<u>581</u>	<u>—</u>	<u>—</u>	<u>1,450,404</u>
Net Capital Assets	<u>\$ 89,894</u>	<u>\$ (581)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 89,313</u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2020
(Continued)

Yard Waste Utility

	Balance, 1/1/2020	Additions	Disposals	Transfers and Adjustments	Balance, 12/31/2020
Land	\$ —	\$ —	\$ —	\$ —	\$ —
Distribution and collection	—	—	—	—	—
Buildings and improvement	68,777	—	—	—	68,777
Equipment and other	55,688	570	502	(6,949)	48,807
Construction in progress	5,254	212	—	(1,752)	3,714
	<u>129,719</u>	<u>782</u>	<u>502</u>	<u>(8,701)</u>	<u>121,298</u>
Less accumulated depreciation:					
Distribution and collection	—	—	—	—	—
Buildings and improvement	68,777	—	—	—	68,777
Equipment and other	53,804	400	493	(6,322)	47,389
Sub-total	<u>122,581</u>	<u>400</u>	<u>493</u>	<u>(6,322)</u>	<u>116,166</u>
Net Capital Assets	<u>\$ 7,138</u>	<u>\$ 382</u>	<u>\$ 9</u>	<u>\$ (2,379)</u>	<u>\$ 5,132</u>

Total FWCU

	Balance, 1/1/2020	Additions	Disposals	Transfers and Adjustments	Balance, 12/31/2020
Land	\$ 16,118,738	\$ —	\$ 49,987	\$ 386,406	\$ 16,455,157
Distribution and collection	802,575,154	—	10,439,975	39,587,362	831,722,541
Buildings and improvement	271,591,198	—	3,019,856	35,908,780	304,480,122
Equipment and other	301,068,120	1,395,939	4,879,792	(5,600,702)	291,983,565
Construction in progress	251,486,593	130,785,348	—	(70,281,846)	311,990,095
	<u>1,642,839,803</u>	<u>132,181,287</u>	<u>18,389,610</u>	<u>—</u>	<u>1,756,631,480</u>
Less accumulated depreciation:					
Distribution and collection	219,957,663	12,714,020	8,827,486	—	223,844,197
Buildings and improvement	102,221,927	10,175,749	2,877,531	—	109,520,145
Equipment and other	159,190,219	12,285,888	4,305,739	—	167,170,368
Sub-total	<u>481,369,809</u>	<u>35,175,657</u>	<u>16,010,756</u>	<u>—</u>	<u>500,534,710</u>
Net Capital Assets	<u>\$ 1,161,469,994</u>	<u>\$ 97,005,630</u>	<u>\$ 2,378,854</u>	<u>\$ —</u>	<u>\$ 1,256,096,770</u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2020
(Continued)

Note 6. Deferred Outflows of Resources

The following is a summary of changes in deferred outflows of resources for the year ended December 31, 2020:

Water Utility

	Balance, 1/1/2020	Additions	Deductions	Balance, 12/31/2020
Debt refunding loss	\$ —	\$ —	\$ —	\$ —
Outflow of resources related to pensions (see note 14)	572,458	349,718	—	922,176
Outflow of resources related to OPEB (see note 15)	893,026	569,229	—	1,462,255
Total	<u>\$ 1,465,484</u>	<u>\$ 918,947</u>	<u>\$ —</u>	<u>\$ 2,384,431</u>

Wastewater Utility

	Balance, 1/1/2020	Additions	Deductions	Balance, 12/31/2020
Debt refunding loss	\$ 1,565,410	\$ —	\$ 542,385	\$ 1,023,025
Outflow of resources related to pensions (see note 14)	811,436	598,238	—	1,409,674
Outflow of resources related to OPEB (see note 15)	1,338,183	909,334	—	2,247,517
Total	<u>\$ 3,715,029</u>	<u>\$ 1,507,572</u>	<u>\$ 542,385</u>	<u>\$ 4,680,216</u>

Stormwater Utility

	Balance, 1/1/2020	Additions	Deductions	Balance, 12/31/2020
Debt refunding loss	\$ 22,755	\$ —	\$ 11,378	\$ 11,377
Outflow of resources related to pensions (see note 14)	290,571	79,572	100,001	270,142
Outflow of resources related to OPEB (see note 15)	483,157	148,735	—	631,892
Total	<u>\$ 796,483</u>	<u>\$ 228,307</u>	<u>\$ 111,379</u>	<u>\$ 913,411</u>

Total FWCU

	Balance, 1/1/2020	Additions	Deductions	Balance, 12/31/2020
Debt refunding loss	\$ 1,588,165	\$ —	\$ 553,763	\$ 1,034,402
Outflow of resources related to pensions (see note 14)	1,674,465	1,027,528	100,001	2,601,992
Outflow of resources related to OPEB (see note 15)	2,714,366	1,627,298	—	4,341,664
Total	<u>\$ 5,976,996</u>	<u>\$ 2,654,826</u>	<u>\$ 653,764</u>	<u>\$ 7,978,058</u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2020
(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, 2020:

Water Utility

	Balance, 1/1/2020	Additions	Deductions	Balance, 12/31/2020
Inflow of resources related to pensions (see note 14)	\$ 775,508	\$ 183,275	\$ —	\$ 958,783
Inflow of resources related to OPEB (see note 15)	509,940	715,596	—	1,225,536
Total	<u>\$ 1,285,448</u>	<u>\$ 898,871</u>	<u>\$ —</u>	<u>\$ 2,184,319</u>

Wastewater Utility

	Balance, 1/1/2020	Additions	Deductions	Balance, 12/31/2020
Inflow of resources related to pensions (see note 14)	\$ 1,136,428	\$ 292,779	\$ —	\$ 1,429,207
Inflow of resources related to OPEB (see note 15)	764,135	1,143,153	—	1,907,288
Total	<u>\$ 1,900,563</u>	<u>\$ 1,435,932</u>	<u>\$ —</u>	<u>\$ 3,336,495</u>

Stormwater Utility

	Balance, 1/1/2020	Additions	Deductions	Balance, 12/31/2020
Inflow of resources related to pensions (see note 14)	\$ 418,035	\$ 47,889	\$ —	\$ 465,924
Inflow of resources related to OPEB (see note 15)	275,894	186,980	—	462,874
Total	<u>\$ 693,929</u>	<u>\$ 234,869</u>	<u>\$ —</u>	<u>\$ 928,798</u>

Total FWCU

	Balance, 1/1/2020	Additions	Deductions	Balance, 12/31/2020
Inflow of resources related to pensions (see note 14)	\$ 2,329,971	\$ 523,943	\$ —	\$ 2,853,914
Inflow of resources related to OPEB (see note 15)	1,549,969	2,045,729	—	3,595,698
Total	<u>\$ 3,879,940</u>	<u>\$ 2,569,672</u>	<u>\$ —</u>	<u>\$ 6,449,612</u>

Note 8. Developer Notes Payable

Certain future revenues in newly developed areas are pledged as payment to retire developer debt associated with infrastructure installed to enable the new developments. Capital surcharges applicable only to designated new development regions and area connection fees generated from the designated new development regions will be applied to the developer debt until paid in full. Only revenue generated and collected from the new developments is available to retire the debt. In 2020, the Water Utility was the only utility with outstanding developer notes payable. As of December 31, 2020 the total developer notes payable liability, included in current liabilities, is \$13,023 and total pledged revenues in 2020 were \$9,192.

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2020
(Continued)

Note 9. Long-Term Debt

Bonds Payable:

Water Utility bonds payable at December 31, 2020 are as follows:

Water Works Revenue Bonds of 2012 - original issue of \$40,000,000 - due in annual installments of \$2,170,000 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 \$238,477.	\$ 30,743,477
Water Works Revenue Bonds of 2014 - original issue of \$63,000,000 - due in annual installments of \$715,000 to \$5,730,000 plus interest at 2.250 percent to 4.000 percent through December 1, 2034, plus unamortized bond premium of \$839,041.	60,274,041
Water Works Revenue Bonds of 2019 Series A - original issue of \$11,770,000 - due in annual installments of \$435,000 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 \$12,091.	<u>11,332,909</u>
Total	<u>102,350,427</u>
Less: Current Portion	<u>3,320,000</u>
Noncurrent Bonds Payable, net	<u><u>\$ 99,030,427</u></u>

Water Utility bond debt service requirements to maturity as of December 31, 2020 are as follows:

Year Due	Principal	Interest	Total
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	6,875,000	2,639,906	9,514,906
2026-2030	38,135,000	9,803,644	47,938,644
2031-2035	30,535,000	2,859,470	33,394,470
2036-2039	3,080,000	60,287	3,140,287
Total	<u>\$ 101,285,000</u>	<u>\$ 27,920,969</u>	<u>\$ 129,205,969</u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2020
(Continued)

Wastewater Utility bonds payable at December 31, 2020 are as follows:

Sewage Works Revenue Bonds of 2011 Series A - original issue of \$38,100,000 - due in annual installments of \$2,945,000 to \$3,490,000 plus interest at 2.800 percent through August 1, 2026, redeemable at 100 percent beginning in 2022.	\$ 19,225,000
Sewage Works Revenue Bonds of 2012 Series B - original issue of \$15,530,000 - due in annual installments of \$1,100,000 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 \$179,652.	8,514,652
Sewage Works Refunding Revenue Bonds of 2012 - original issue of \$19,675,000 - due in annual installments of \$2,105,000 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 \$2,942.	4,247,942
Sewage Works Revenue Bonds of 2013 Series A - original issue of \$32,955,000 - due in annual installments of \$3,775,000 to \$4,060,000 plus interest at 1.950 percent through August 1, 2024.	15,630,000
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 \$280,988.	42,540,988
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 \$1,079,525.	22,884,525
Sewage Works Refunding Revenue Bonds of 2017 Series A - original issue of \$16,700,000 - due in annual installments of \$1,220,000 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.	13,525,000
Sewage Works Refunding Revenue Bonds of 2017 Series B - original issue of \$16,700,000 - due in annual installments of \$1,220,000 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.	13,510,000
Sewage Works Revenue and Revenue Refunding Revenue Bonds of 2020 Series B - original issue of \$33,785,000 - due in annual installments of \$905,000 to \$2,540,000 plus interest at 2.000 percent to 4.000 percent through August 1, 2040, redeemable at 100 percent beginning on August 1, 2029, plus unamortized bond premium of \$1,275,876.	34,535,876
Total	<u>174,613,983</u>
Less: Current Portion	17,885,000
Noncurrent Bonds Payable, net	<u><u>\$ 156,728,983</u></u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2020
(Continued)

Wastewater Utility bond debt service requirements to maturity as of December 31, 2020 are as follows:

Year Due	Principal	Interest	Total
2021	\$ 17,885,000	\$ 5,020,848	\$ 22,905,848
2022	18,270,000	4,565,021	22,835,021
2023	16,725,000	4,099,468	20,824,468
2024	17,210,000	3,653,609	20,863,609
2025	17,725,000	3,137,523	20,862,523
2026-2030	58,140,000	8,853,985	66,993,985
2031-2035	20,195,000	2,207,670	22,402,670
2036-2040	5,645,000	426,814	6,071,814
Total	<u>\$ 171,795,000</u>	<u>\$ 31,964,938</u>	<u>\$ 203,759,938</u>

Stormwater Utility bonds payable at December 31, 2020 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 \$267,519.	\$ 22,702,519
Less: Current Portion	<u>1,620,000</u>
Noncurrent Bonds Payable, net	<u>\$ 21,082,519</u>

Stormwater Utility bond debt service requirements to maturity as of December 31, 2020 are as follows:

Year Due	Principal	Interest	Total
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	1,680,000	437,550	2,117,550
2026-2030	9,165,000	1,533,050	10,698,050
2031-2033	5,155,000	234,600	5,389,600
Total	<u>\$ 22,435,000</u>	<u>\$ 4,279,500</u>	<u>\$ 26,714,500</u>

Loans Payable:

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

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2020
(Continued)

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.

Details of all Water Utility State Revolving Fund (SRF) loans payable at December 31, 2020 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, 2020 total drawn amount is \$3,680,204.	\$ 3,377,204
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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 \$2,755,000 to \$2,755,000 plus interest at 3.950 percent through December 1, 2021, redeemable prior to maturity for bonds maturing after 2017.	2,755,000
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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 \$1,451,000 to \$2,073,000 plus interest at 2.967 percent through December 1, 2031, redeemable prior to maturity for bonds maturing after 2021.	19,204,000
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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.	21,040,000
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Total	46,376,204
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Less: Current Portion	5,230,000
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Noncurrent Loans Payable	<u>\$ 41,146,204</u>
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Water Utility anticipated loan debt service requirements to maturity, after all remaining loan principal has been drawn down, as of December 31, 2020 are as follows:

Year Due	Principal	Interest	Total
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	2,788,000	923,337	3,711,337
2026-2030	15,269,000	3,458,940	18,727,940
2031-2035	8,746,000	1,640,730	10,386,730
2036-2040	6,388,000	751,185	7,139,185
2041-2045	2,361,000	287,898	2,648,898
2046-2048	1,535,000	55,598	1,590,598
Total	\$ 50,196,000	\$ 11,609,530	\$ 61,805,530

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2020
(Continued)

Details of all Wastewater Utility State Revolving Fund (SRF) loans payable at December 31, 2020 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 \$244,997 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.	\$ 2,467,680
Sewage Works SRF Revenue Bonds of 2011 Series B - maximum draw of \$33,576,000 - due in annual installments of \$1,653,000 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.	20,416,000
Sewage Works SRF Revenue Bonds of 2012 Series A - maximum draw of \$10,415,000 - due in annual installments of \$504,000 to \$612,000 plus interest at 1.780 percent through August 1, 2032, redeemable prior to maturity for bonds maturing after 2024. Loan is completely drawn-down.	6,675,000
Sewage Works SRF Revenue Bonds of 2014 Series A - maximum draw of \$17,000,000 - due in annual installments of \$828,000 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.	12,418,000
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, 2020 total drawn amount is \$97,489,217.	85,049,217
Sewage Works SRF Revenue Bonds of 2018 Series B - maximum draw of \$21,722,416 - due in annual installments of \$835,300 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, 2020 total drawn amount is \$2,836,305.	1,866,889

SRF Advance loans:

Sewage Works SRF Revenue Bonds of 2014 Series B - original pool share of \$60,872,000 - due in annual installments of \$775,000 to \$6,160,000 plus interest at 3.074 percent through August 1, 2034, redeemable prior to maturity for bonds maturing after 2027.	57,392,000
Sewage Works SRF Revenue Bonds of 2014 Series C - original pool share of \$5,015,000 - due in annual installments of \$230,000 to \$350,000 plus interest at 3.074 percent through August 1, 2034, redeemable prior to maturity for bonds maturing after 2027.	3,975,000
Sewage Works SRF Revenue Bonds of 2016 Series B - original pool share of \$138,583,000 - due in annual installments of \$3,413,886 to \$7,325,433 plus interest at 3.060 percent through August 1, 2046, redeemable prior to maturity for bonds maturing after 2028.	133,307,912
Sewage Works SRF Revenue Bonds of 2020 Series A - original share of \$25,000,000 - due in annual installments of \$995,000 to \$1,455,000 plus interest at 2.000 percent through August 1, 2040, redeemable prior to maturity for bonds maturing after 2028.	24,215,000
Sewage Works SRF Revenue Bonds of 2020 Series C - original pool share of \$25,000,000 - due in annual installments of \$983,000 to \$1,449,000 plus interest at 2.000 percent through August 1, 2041, redeemable prior to maturity for bonds maturing after 2028.	25,000,000
Total	372,782,698
Less: Current Portion	14,778,183
Noncurrent Bonds Payable, net	<u>\$ 358,004,515</u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2020
(Continued)

Wastewater Utility anticipated loan debt service requirements to maturity, after all remaining loan principal has been drawn down, as of December 31, 2020 are as follows:

Year Due	Principal	Interest	Total
2021	\$ 14,778,183	\$ 10,256,237	\$ 25,034,420
2022	15,107,957	9,984,989	25,092,946
2023	17,590,170	9,624,793	27,214,963
2024	17,982,379	9,190,283	27,172,662
2025	18,382,365	8,745,769	27,128,134
2026-2030	108,795,001	36,123,955	144,918,956
2031-2035	98,427,382	21,790,938	120,218,320
2036-2040	68,868,764	10,828,090	79,696,854
2041-2045	34,921,958	4,023,202	38,945,160
2046	7,325,433	168,567	7,494,000
Total	<u>\$ 402,179,592</u>	<u>\$ 120,736,823</u>	<u>\$ 522,916,415</u>

On May 18, 2020, the Wastewater Utility issued \$33,785,000 in revenue bonds with an average interest rate between 2.000 percent and 4.000 percent. A portion of the \$34,615,891 (after payment of \$548,318 in issuance costs) net proceeds were used to refund \$18,855,961 of outstanding 2009 series B bonds with an average interest rate of 4.160 percent. The refunding resulted in the accounting loss of \$660,389 (including \$50,116 of unamortized issuance costs) which has been recognized as interest expense in the Statement of Revenues, Expenses, and Changes in Net Position. The Wastewater Utility in effect lowered its aggregate debt service payment by \$7,153,180 over the next 10.5 years and realized an economic gain (difference between the present values of the old and new debt service payments) of \$81,265.

Capital Leases:

FWCU has entered into several Capital Leases related to vehicles and equipment. The details of the capital leases at December 31, 2020 are as follows:

Description	Original Lease Amount					Total
	Water	Wastewater	Stormwater	Electric	Yard Waste	
2017 Equipment Lease	\$ 432,627	\$ 963,228	\$ 314,094	\$ —	\$ 51	\$ 1,710,000
2018 Equipment Lease	255,588	590,972	194,348	—	92	1,041,000
2019 Equipment Lease	471,435	1,266,918	706,647	—	—	2,445,000
2020 Equipment Lease	948,548	1,490,254	561,075	—	123	3,000,000
Total	<u>\$ 2,108,198</u>	<u>\$ 4,311,372</u>	<u>\$ 1,776,164</u>	<u>\$ —</u>	<u>\$ 266</u>	<u>\$ 8,196,000</u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2020
(Continued)

The anticipated capital lease debt service requirements to maturity as of December 31, 2020 are as follows:

Water Utility

Year Due	Principal	Interest	Total
2021	\$ 294,233	\$ 30,226	\$ 324,459
2022	300,154	24,305	324,459
2023	306,210	18,249	324,459
2024	278,986	12,054	291,040
2025	230,279	6,774	237,053
2026-2027	247,126	3,138	250,264
Total	<u>\$ 1,656,988</u>	<u>\$ 94,746</u>	<u>\$ 1,751,734</u>

Wastewater Utility

Year Due	Principal	Interest	Total
2021	\$ 602,059	\$ 65,274	\$ 667,333
2022	615,074	52,259	667,333
2023	628,403	38,930	667,333
2024	567,604	25,280	592,884
2025	457,182	13,657	470,839
2026-2027	429,277	5,473	434,750
Total	<u>\$ 3,299,599</u>	<u>\$ 200,873</u>	<u>\$ 3,500,472</u>

Stormwater Utility

Year Due	Principal	Interest	Total
2021	\$ 246,401	\$ 28,241	\$ 274,642
2022	251,870	22,773	274,643
2023	257,473	17,170	274,643
2024	239,090	11,429	250,519
2025	204,698	6,312	211,010
2026-2027	179,521	2,297	181,818
Total	<u>\$ 1,379,053</u>	<u>\$ 88,222</u>	<u>\$ 1,467,275</u>

Yard Waste Utility

Year Due	Principal	Interest	Total
2021	\$ 30	\$ 3	\$ 33
2022	31	2	33
2023	32	2	34
2024	30	1	31
2025	23	1	24
2026-2027	27	—	27
Total	<u>\$ 173</u>	<u>\$ 9</u>	<u>\$ 182</u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2020
(Continued)

Assets acquired through capital leases still in effect as of December 31, 2020 are as follows:

	Water Utility	Wastewater Utility	Stormwater Utility	Yard Utility	Total
Equipment and other	\$ 1,900,750	\$ 1,661,171	\$ 1,363,185	\$ 117	\$ 4,925,223
Accumulated depreciation	(390,465)	(642,963)	(247,054)	(20)	(1,280,502)
Net	<u>\$ 1,510,285</u>	<u>\$ 1,018,208</u>	<u>\$ 1,116,131</u>	<u>\$ 97</u>	<u>\$ 3,644,721</u>

Changes in Long-Term Liabilities:

The following is a summary of long-term obligations for FWCU for the year ended December 31, 2020:

Water Utility

	Balance, 1/1/2020	Additions	Deductions	Balance, 12/31/2020	Current Portion
Bonds and loans					
Revenue bonds payable, net	\$ 105,730,703	\$ —	\$ 3,380,276	\$ 102,350,427	\$ 3,320,000
Loans payable	48,687,235	2,742,969	5,054,000	46,376,204	5,230,000
Capital lease payable	931,431	949,323	223,766	1,656,988	294,233
Total bonds and loans	<u>155,349,369</u>	<u>3,692,292</u>	<u>8,658,042</u>	<u>150,383,619</u>	<u>8,844,233</u>
Other noncurrent liabilities					
Accrued compensated absences	966,404	882,749	919,674	929,479	698,313
Net pension liability (see note 14)	4,472,041	342,162	769,299	4,044,904	—
Total OPEB liability (see note 15)	5,512,737	47,980	—	5,560,717	—
Total other noncurrent liabilities	<u>10,951,182</u>	<u>1,272,891</u>	<u>1,688,973</u>	<u>10,535,100</u>	<u>698,313</u>
Total long-term liabilities	<u>\$ 166,300,551</u>	<u>\$ 4,965,183</u>	<u>\$ 10,347,015</u>	<u>\$ 160,918,719</u>	<u>\$ 9,542,546</u>

Wastewater Utility

	Balance, 1/1/2020	Additions	Deductions	Balance, 12/31/2020	Current Portion
Bonds and loans					
Revenue bonds payable, net	\$ 156,075,328	\$ 35,164,209	\$ 16,625,554	\$ 174,613,983	\$ 17,885,000
Loans payable	286,369,062	117,530,405	31,116,769	372,782,698	14,778,183
Capital lease payable	2,294,702	1,492,633	487,736	3,299,599	602,059
Total bonds and loans	<u>444,739,092</u>	<u>154,187,247</u>	<u>48,230,059</u>	<u>550,696,280</u>	<u>33,265,242</u>
Other noncurrent liabilities					
Accrued compensated absences	972,803	989,000	999,923	961,880	741,949
Net pension liability (see note 14)	6,486,011	546,599	1,228,943	5,803,667	—
Total OPEB liability (see note 15)	8,260,729	76,647	—	8,337,376	—
Total other noncurrent liabilities	<u>15,719,543</u>	<u>1,612,246</u>	<u>2,228,866</u>	<u>15,102,923</u>	<u>741,949</u>
Total long-term liabilities	<u>\$ 460,458,635</u>	<u>\$ 155,799,493</u>	<u>\$ 50,458,925</u>	<u>\$ 565,799,203</u>	<u>\$ 34,007,191</u>

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Stormwater Utility

	Balance, 1/1/2020	Additions	Deductions	Balance, 12/31/2020	Current Portion
Bonds and loans					
Revenue bonds payable, net	\$ 24,336,272	\$ —	\$ 1,633,753	\$ 22,702,519	\$ 1,620,000
Loans payable	—	—	—	—	—
Capital lease payable	1,023,901	557,957	202,805	1,379,053	246,401
Total bonds and loans	25,360,173	557,957	1,836,558	24,081,572	1,866,401
Other noncurrent liabilities					
Accrued compensated absences	229,306	137,058	205,590	160,774	142,201
Net pension liability (see note 14)	2,408,948	89,405	201,013	2,297,340	—
Total OPEB liability (see note 15)	2,982,576	12,537	—	2,995,113	—
Total other noncurrent liabilities	5,620,830	239,000	406,603	5,453,227	142,201
Total long-term liabilities	<u>\$ 30,981,003</u>	<u>\$ 796,957</u>	<u>\$ 2,243,161</u>	<u>\$ 29,534,799</u>	<u>\$ 2,008,602</u>

Yard Waste Utility

	Balance, 1/1/2020	Additions	Deductions	Balance, 12/31/2020	Current Portion
Bonds and loans					
Revenue bonds payable, net	\$ —	\$ —	\$ —	\$ —	\$ —
Loans payable	—	—	—	—	—
Capital lease payable	107	87	21	173	30
Total bonds and loans	107	87	21	173	30
Other noncurrent liabilities					
Accrued compensated absences	2,128	567	1,302	1,393	1,139
Net pension liability (see note 14)	—	—	—	—	—
Total OPEB liability (see note 15)	—	—	—	—	—
Total other noncurrent liabilities	2,128	567	1,302	1,393	1,139
Total long-term liabilities	<u>\$ 2,235</u>	<u>\$ 654</u>	<u>\$ 1,323</u>	<u>\$ 1,566</u>	<u>\$ 1,169</u>

Total FWCU

	Balance, 1/1/2020	Additions	Deductions	Balance, 12/31/2020	Current Portion
Bonds and loans					
Revenue bonds payable, net	\$ 286,142,303	\$ 35,164,209	\$ 21,639,583	\$ 299,666,929	\$ 22,825,000
Loans payable	335,056,297	120,273,374	36,170,769	419,158,902	20,008,183
Capital lease payable	4,250,141	3,000,000	914,328	6,335,813	1,142,723
Total bonds and loans	625,448,741	158,437,583	58,724,680	725,161,644	43,975,906
Other noncurrent liabilities					
Accrued compensated absences	2,170,641	2,009,374	2,126,489	2,053,526	1,583,602
Net pension liability (see note 14)	13,367,000	978,166	2,199,255	12,145,911	—
Total OPEB liability (see note 15)	16,756,042	137,164	—	16,893,206	—
Total other noncurrent liabilities	32,293,683	3,124,704	4,325,744	31,092,643	1,583,602
Total long-term liabilities	<u>\$ 657,742,424</u>	<u>\$ 161,562,287</u>	<u>\$ 63,050,424</u>	<u>\$ 756,254,287</u>	<u>\$ 45,559,508</u>

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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 2020, FWCU received from the City \$624,711 for water, \$588,313 for sewer and \$115,263 for stormwater services.

The City received the following from FWCU in 2020:

	Water Utility	Wastewater Utility	Stormwater Utility	Yard Waste Utility	Total
Self insurance	\$ 3,561,983	\$ 3,303,631	\$ 668,541	\$ 3,788	\$ 7,537,943
Garage services	625,590	624,189	185,320	196	1,435,295
Overhead charges	783,077	1,097,087	204,259	3,836	2,088,259
Office and technical services	221,150	94,988	35,833	265	352,236
Transfers out in lieu of taxes	3,395,568	4,558,596	725,340	—	8,679,504
Total	<u>\$ 8,587,368</u>	<u>\$ 9,678,491</u>	<u>\$ 1,819,293</u>	<u>\$ 8,085</u>	<u>\$ 20,093,237</u>

Note 11. Interfund Assets and Liabilities

As of December 31, 2020, amounts due from/to other funds of the City resulting from various interfund transactions were as follows:

Due from City:

Receivable Fund	Payable Fund							Total
	General	Highways and Streets	LIT-ED	Self Insurance	Garage	Solid Waste	CRF Grant	
Water	\$ 68,247	\$ 69	\$ —	\$ 1,081	\$ 1,841	\$ 4,845	\$ 51,787	\$ 127,870
Wastewater	69,490	—	—	530	1,540	7,740	82,880	162,180
Stormwater	35,527	—	235,428	48	281	1,238	11,814	284,336
Yard Waste	247	—	—	1	—	28	264	540
Total	<u>\$ 173,511</u>	<u>\$ 69</u>	<u>\$ 235,428</u>	<u>\$ 1,660</u>	<u>\$ 3,662</u>	<u>\$ 13,851</u>	<u>\$ 146,745</u>	<u>\$ 574,926</u>

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Due to City:

Receivable Fund	Payable Fund				Total
	Water	Wastewater	Stormwater	Yard Waste	
General	\$ 2,284,742	\$ 1,927,089	\$ 344,854	\$ 355	\$ 4,557,040
LIT-ED	60,575	31,647	—	—	92,222
Parks	1,313	—	—	—	1,313
Redevelopment	105	168	27	—	300
Self Insurance	280,877	258,797	54,109	316	594,099
Garage	50,185	47,069	13,928	8	111,190
Solid Waste	538,240	859,831	137,561	3,077	1,538,709
Parking	1,252	2,113	535	7	3,907
Total	<u>\$ 3,217,289</u>	<u>\$ 3,126,714</u>	<u>\$ 551,014</u>	<u>\$ 3,763</u>	<u>\$ 6,898,780</u>

Note 12. Interfund Capital Asset Transfers

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

Note 13. Risk Management

The City of Fort Wayne, including FWCU, retains the risk of loss for claims related to employee health, on-the-job injury, auto, and general liabilities, while continuing to buy premium insurance for a number of other risks. The City of Fort Wayne has established internal service funds to finance these risks. Interfund premiums are billed monthly on a cost allocation basis most appropriate to the type of risk involved. An excess policy covers individual health insurance claims in excess of \$350,000 per year and the insurance company assumes the risk when total monthly claims exceed an amount based upon an aggregate monthly factor. An excess policy for workers compensation covers individual claims in excess of \$550,000 per employee per injury. The general and auto liability is limited by Indiana government tort liability limits of \$700,000 per occurrence and \$5,000,000 per aggregate. Liabilities are the responsibility of the City of Fort Wayne's internal service funds.

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

Plan Description:

FWCU contributes to Indiana's Public Employees' Retirement Fund (PERF), a cost-sharing multiple-employer defined benefit pension plan. PERF provides retirement, disability, and survivor benefits to plan members and beneficiaries. All regular full-time employees who are not covered by another plan are eligible to participate. State statutes (Indiana Code 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system and give FWCU the authority to contribute to the plan. The PERF retirement benefit is a hybrid plan that consists of two components: PERF DB, a monthly employer-funded defined benefit component and PERF DC, a member-funded defined contribution account (DC Account), formerly known as the annuity savings account (ASA). The DC Account consists of member's contributions, set by state statute at three percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report is available online at <https://www.in.gov/inprs/or> or may be obtained by contacting Indiana Public Retirement System, One North Capitol Avenue, Suite 001, Indianapolis, IN 46204, Ph. (844) 464-6777.

Benefits Provided:

The PERF Hybrid Plan consists of the sum of a defined pension benefit provided by the FWCU contributions plus the amount credited to the member's DC account. Pension benefits vest after 10 years of creditable service. Members are immediately vested in their 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 10 years of creditable service is eligible for normal retirement and is entitled to 100 percent of the pension benefit component. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position.

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

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

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

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

Contributions:

The contribution requirements of the plan members and FWCU are established and may be amended by the INPRS Board of Trustees. The required contributions are based on actuarial investigations and valuation in accordance with IC 5-10.2. The funding policy provides for periodic employer contributions at actuarially determined rates, that expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. A contribution of 3.0% of covered payroll is required into the defined contribution account portion. FWCU elected to make this contribution on behalf of their members in 2020. For 2020, FWCU is required to contribute at an actuarially determined rate of 11.2% of annual covered payroll. FWCU contribution to the plan for the year ending December 31, 2020 was \$2,442,892 and was equal to the required contribution for the year.

Actuarial Assumptions:

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

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

There were changes to many actuarial assumptions for the June 30, 2020 valuation, as a result of the 2014-2019 Experience Study. For active and inactive vested members, the salary load of \$400 to approximate the impact on average monthly earnings of unused sick leave accumulated at termination of employment was reduced to \$200. The mortality tables for all demographics were

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updated from the RP-2014 (with MP-2014 improvement removed) Total Data Set 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 to the Pub-2010 Public Retirement Plans Mortality Tables with a fully generational projection of mortality improvements using SOA Scale MP-2019. Specific mortality variants and adjustments are used for different subpopulations.

The updated economic & demographic assumptions, which are based on the plan's 2014-2019 Experience Study, were used in the June 30, 2020 valuation report. However, there were no changes in the benefit provisions, funding policy, or actuarial methods used in the prior year. The actuarial cost method used for computing the total pension liability is the Entry Age Normal - Level Percent of Payroll method.

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

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

Discount Rate:

The discount rate used to measure the total pension liability was 6.75 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, the defined benefit pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the

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long term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for each plan.

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

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

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Proportionate share of the net pension liability	\$ 19,801,967	\$ 12,145,911	\$ 5,733,343

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

As of December 31, 2020, FWCU reported a liability of \$12,145,911 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the FWCU proportion was 0.0040213, which was a decrease of 0.0000231 from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, FWCU recognized pension expenses of \$847,889, based on an actuarial valuation as of June 30, 2020. At December 31, 2020, FWCU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 215,191	\$ 163,075
Net difference between projected and actual investment earnings on pension plan investments	1,039,494	—
Changes of assumptions	—	2,530,700
Changes in proportion and differences between employer contributions and proportionate share of contributions	75,550	160,139
Employer contributions subsequent to the measurement date	1,271,757	—
Total	\$ 2,601,992	\$ 2,853,914

At December 31, 2020, FWCU reported \$1,271,757 as deferred outflows of resources related to pensions resulting from FWCU contributions subsequent to the measurement date that will be

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recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2021	\$ (1,300,792)
2022	(450,517)
2023	(213,923)
2024	441,553
2025	—
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 <https://www.in.gov/inprs> or may be obtained by contacting Indiana Public Retirement System, One North Capitol Avenue, Suite 001, Indianapolis, IN 46204, Ph. (844) 464-6777.

Benefit Payment Policies:

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

Valuation of Pension Plan Investments:

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

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

Fixed income securities consist primarily of the U.S. government, U.S. government-sponsored agencies, publicly traded debt, and commingled investment debt instruments. Equity securities consist primarily of domestic and international stocks in addition to commingled equity instruments. Fixed income and equity securities are generally valued based on published market prices and quotations from national security exchanges and securities pricing services. Securities that are not traded on a national security exchange are valued using modeling techniques that

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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*.

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.

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Employees Covered by Benefit Terms:

The following members were covered by the terms of the plan as of December 31, 2020 using the latest employee census data. The plan's last valuation date was December 31, 2020.

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

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, 2020, the FWCU contributed \$586,501 to the plan.

Total OPEB Liability:

FWCU total OPEB liability was measured as of December 31, 2020 for a total of \$16,893,206.

Actuarial Methods and Assumptions:

FWCU total OPEB liability was determined by an actuarial valuation as of December 31, 2020 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	1.93%
Healthcare cost trend rates:	
Medical	9.0% first year, graded down to 5.0% over 11 years
Dental	4.0% per year

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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-2020 generational future mortality improvement scale.

The assumptions presented above were the results of an actuarial experience study as of June 30, 2020 and are based on plan provisions, past plan experience, and the experience of similar plans.

Discount Rate:

The discount rate used to measure the total OPEB liability was 1.93 percent for 2020. A change from 3.26 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, 2019	\$ 16,756,042
Changes for the year:	
Service cost	495,334
Interest cost	543,202
Difference between expected and actual experience	(2,517,874)
Changes in assumption	2,203,003
Benefit payments	(586,501)
Net Changes	137,164
Balance at December 31, 2020	\$ 16,893,206

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

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

	1% Decrease (0.93%)	Current Discount Rate (1.93%)	1% Increase (2.93%)
Total OPEB Liability	\$ 18,497,862	\$ 16,893,206	\$ 15,445,538

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

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

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	\$ 15,259,572	\$ 16,893,206	\$ 18,827,688

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

For the year ended December 31, 2020, FWCU recognized the following OPEB expense:

Service cost	\$	495,334
Interest cost		543,202
Difference between expected and actual experience		(388,914)
Changes in assumptions		492,474
Total OPEB expense	\$	1,142,096

For the year ended December 31, 2020, 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	\$ 594,273	\$ 3,595,698
Changes in assumptions	3,747,391	—
Total	\$ 4,341,664	\$ 3,595,698

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

For the year ending December 31,	
2021	\$ 103,560
2022	103,560
2023	103,560
2024	103,560
2025	103,560
Thereafter	228,166
Total	\$ 745,966

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
December 31, 2020
(Continued)

Note 16. Commitments and Contingencies

Consent Decree:

The FWCU combined storm and sanitary sewer system does not comply with federal Clean Water regulations. After several years of negotiations with the Environmental Protection Agency (EPA) and Indiana Department of Environmental Management (IDEM), the EPA lodged a Consent Decree with the federal court on December 28, 2007. The Consent Decree became effective April 1, 2008. Under the terms and conditions of the Consent Decree, FWCU committed to reduce the number of CSO days in a typical year to one day on the St. Joseph River and four days on the St. Mary's and Maumee Rivers. The infrastructure cost to reduce the number of CSO events was estimated to be approximately \$240 million, concluding in 2025. FWCU also agreed to eliminate three known sanitary sewer overflows at an estimated combined cost of \$31 million by specific dates noted in the Consent Decree. Additionally, FWCU committed to maintain the entire sewer system to performance standards prescribed in the FWCU Long-Term Control Plan incorporated by reference into the Consent Decree. The Consent Decree further provides for stipulated penalties for failure to achieve specified construction milestones, reporting deadlines or maintenance objectives. FWCU is in full compliance with the Consent Decree's terms and conditions.

Aqua Agreement:

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

Other:

FWCU has entered into many contracts for various construction projects. Remaining contract payments as of December 31, 2020 for each utility are as follows:

Water Utility	\$ 24,869,230
Wastewater Utility	45,991,159
Stormwater Utility	<u>906,243</u>
	<u>\$ 71,766,632</u>

FORT WAYNE CITY UTILITIES
Notes to Financial Statements
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(Continued)

Major contracts awarded subsequent to December 31, 2020:

Board of Works Award Date	Vendor	Major Contract Project Description	Amount
<u>Water Utility</u>			
01/05/2021	VTF Excavation	Webster & Lexington Area WMR	\$ 1,180,328
01/12/2021	Pinpoint Directional Drilling	On-Call Lead Replacement Construction Services	1,000,000
01/12/2021	AAA Sewer	On-Call Lead Replacement Construction Services	1,000,000
01/26/2021	Kampstrup Water Metering	Purchase 1 1/2 Inch Water Meters	132,300
01/26/2021	Utility Supply	Purchase 2 Inch Neptune Water Meters	151,999
01/26/2021	Ferguson Enterprises	Purchase 6 - 10 Inch Master Water Meters & Fire Line Meters	162,040
01/26/2021	Ferguson Enterprises	Purchase of 3 Inch Master Water Meters	221,000
03/02/2021	Phoenix Consulting	3RFP Filter Plc Imp Phase I	135,700
03/09/2021	Ottenweller Contracting	3RFP Plant 1 Primary Weir Replacement	117,500
			<u>\$ 4,100,867</u>
<u>Wastewater Utility</u>			
01/05/2021	Uretek	WPCP Pond Interconnect Soil Stabilization	\$ 131,750
02/02/2021	Jacobs Engineering	WPCP Aeration Trim Blowers	106,020
03/02/2021	Wessler Engineering	3RPORT Deep Dewatering Pump Station CCM & RPRS	1,408,110
03/02/2021	Jacobs Engineering	3RPORT Deep Dewatering Pump Station CCM & RPRS	4,287,182
			<u>\$ 5,933,062</u>
<u>Stormwater Utility</u>			
02/09/2021	Fleming Excavating	Airport Expressway & Ardmore Ave Imp	\$ 681,228
03/09/2021	Krafft Water	Colonial Heritage Water Quality Imp	491,374
03/02/2021	Krafft Water	Mayfield Rd Stormwater Imp	218,719
			<u>\$ 1,391,321</u>

Note 17. Subsequent Events

On March 9, 2021, the Common Council approved FWCU to finance the purchase of various vehicles and equipment items for a not to exceed gross amount of \$2,450,000 and authorized the acceptance of the Lessor, JPMorgan Chase Equipment Finance.

FORT WAYNE CITY UTILITIES
Required Supplementary Information
December 31, 2020

Schedule of Proportionate Share of the Net Pension Liability:

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

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

*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.

FORT WAYNE CITY UTILITIES
Required Supplementary Information
December 31, 2020

Schedule of Changes in Total OPEB Liability:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 495,334	\$ 417,624	\$ 587,943
Interest	543,202	630,123	887,104
Difference between expected and actual experience	(2,517,874)	(1,745,425)	—
Changes in assumptions	2,203,003	54,393	—
Benefit payments	<u>(586,501)</u>	<u>(728,202)</u>	<u>(966,259)</u>
Total change in total OPEB liability	137,164	(1,371,487)	508,788
Total OPEB liability - beginning	<u>16,756,042</u>	<u>18,127,529</u>	<u>17,618,741</u>
Total OPEB liability - ending	<u>\$ 16,893,206</u>	<u>\$ 16,756,042</u>	<u>\$ 18,127,529</u>
Covered-employee payroll	\$ 22,242,448	\$ 21,422,072	\$ 16,268,631
Total OPEB liability as a percentage of covered-employee payroll	75.95 %	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
December 31, 2020

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

For the actuarial valuation as of June 30, 2020, including past evaluations of June 30, 2019 and June 30, 2018, 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.