Fort Wayne City Utilities

A Regional Utility
Owned by
City of Fort Wayne, Indiana
Mayor Thomas C. Henry

CITY UTILITIES

WATER THAT WORKS

Financial Statements

December 31, 2022

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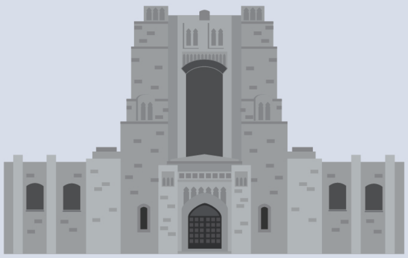
Facts & Figures

Three Rivers Filtration Plant

Built **1931-1933**

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



Capacity **72** MGD

2022 Average Demand
34.7 MGD

18.1 billion
the number of gallons of sewage treated in 2022

86.6%
of water customers are single-family households

$8.1 million
the amount of investment in stormwater improvements in 2022

5 **scholarships**
awarded to 2022 City Utilities interns

Recipient of the **Sustainable Water Utility Management Award** from the **Association of Metropolitan Water Agencies**

Stormwater Utility
Established
1993

351
employees

CITY UTILITIES
WATER THAT WORKS

Miles of pipe

1,444
water

1,597
sewer

716
stormwater

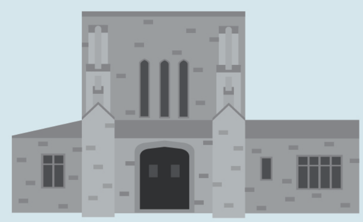
30.0%
of electricity at the Water Pollution Control Plant is sourced from renewable green energy

Winner of the **Best Tasting Water in Indiana** from the **Alliance of Indiana Rural Water**

Paul L. Brunner Water Pollution Control Plant

Built **1938-1940**

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



Capacity **100** MGD

2022 Average Demand
49.5 MGD

Residential customers accounted for
57.3%
of water consumption in 2022

FORVIS

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of each major fund of Fort Wayne City Utilities (Utilities), a division of the City of Fort Wayne, Indiana (City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Utilities' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of each major fund of the Utilities as of December 31, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Fort Wayne City Utilities, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters

As discussed in Note 1, the financial statements of the Utilities are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities 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, 2022, 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.

As discussed in Note 19 to the financial statements, in 2022 the Utilities adopted Government Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utilities' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2023 on our consideration of Fort Wayne City Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fort Wayne City Utilities' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fort Wayne City Utilities' internal control over financial reporting and compliance.

FORVIS, LLP

Fort Wayne, Indiana
June 29, 2023

FORT WAYNE CITY UTILITIES
Management's Discussion and Analysis (unaudited)
For the Year Ended December 31, 2022

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, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the basic financial statements and the notes to the basic financial statements.

Financial Highlights

- The assets and deferred outflows of resources of FWCU exceeded its liabilities and deferred inflows of resources (net position) as of the end of the 2022 and 2021 fiscal years (hereinafter "2022" and "2021") by $839.3 million and $780.1 million, respectively.

- The FWCU net position increased in 2022 and 2021 by $59.2 million and $63.2 million, respectively.

- FWCU added new bonded debt and long-term loans payable during 2022 and 2021 of $45.5 million and $218.8 million, respectively. The 2022 increase in debt consists of one new bond and one new long-term State Revolving Fund (SRF) loan, additional draws against existing SRF loans as well as a SRF loan assumed from Allen County Regional Water Sewer District, in lieu of transfer of operations (see Note 20). The 2021 increase in debt is mainly due to issuance of new long-term loans and additional draws against SRF loans.

  In 2022, the Wastewater Utility issued new Sewage Works Revenue Bonds at fixed interest rates ranging from 0.05 percent to five percent and one SRF loan at zero percent interest. The Wastewater Utility used the available cash on hand and the new SRF loan to completely pay off the assumed SRF loan from Allen County Regional Water Sewer District.

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

- The 2022 and 2021 net investment in capital assets increased by approximately $44.1 million and $37.3 million. Significantly, FWCU continues to meet all milestones required by its 2008 Federal Consent Decree.

- During 2022, FWCU adopted Governmental Accounting Standard Board Statement No. 87, *Leases.* Prior year comparative information presented herein has not been adjusted for the adoption of GASB 87.

Overview of the Financial Statements

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

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

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

	Year Ended December 31,		Variance 2022 – 2021	
	2022	2021	Amount	Percent
Net capital assets	$ 1,412.9	$ 1,325.3	$ 87.6	6.6 %
Other assets	388.4	419.8	(31.4)	(7.5)%
Total assets	$ 1,801.3	$ 1,745.1	$ 56.2	3.2 %
Deferred Outflows of Resources	$ 8.8	$ 8.8	$ —	— %
Other liabilities	102.6	86.7	15.9	18.3 %
Long term liabilities	861.6	875.5	(13.9)	(1.6)%
Total liabilities	$ 964.2	$ 962.2	$ 2.0	0.2 %
Deferred Inflows of Resources	$ 6.6	$ 11.6	$ (5.0)	(43.1)%
Total net position	$ 839.3	$ 780.1	$ 59.2	7.6 %
Net investment in capital assets	683.9	639.8	44.1	6.9 %
Restricted	85.6	79.4	6.2	7.8 %
Unrestricted	69.8	60.9	8.9	14.6 %
Total net position	$ 839.3	$ 780.1	$ 59.2	7.6 %

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

	Year Ended December 31, 2022	Year Ended December 31, 2021	Variance 2022 – 2021 Amount	Variance 2022 – 2021 Percent
Operating revenues:				
Water service revenues	$ 61.7	$ 58.9	$ 2.8	4.8 %
Wastewater services revenues	103.2	96.1	7.1	7.4 %
Stormwater service revenues	15.1	15.0	0.1	0.7 %
Yard Waste revenues	0.5	0.5	—	— %
Total operating revenues	180.5	170.5	10.0	5.9 %
Operating expenses:				
Water operations	40.2	36.7	3.5	9.5 %
Wastewater operations	51.5	45.0	6.5	14.4 %
Stormwater operations	8.0	7.4	0.6	8.1 %
Yard Waste operations	0.2	0.2	—	— %
Total operating expenses	99.9	89.3	10.6	11.9 %
Operating Income	80.6	81.2	(0.6)	(0.7)%
Net nonoperating revenues (expenses)	(21.2)	(20.7)	(0.5)	2.4 %
Income before capital contributions and transfers out	59.4	60.5	(1.1)	(1.8)%
Capital contributions	10.7	11.8	(1.1)	(9.3)%
Net transfers out	(10.3)	(9.1)	(1.2)	13.2 %
Special Item - net position of transferred ACRWSD operations	(0.6)	—	(0.6)	(100.0)%
Change in net position	59.2	63.2	(4.0)	(6.3)%
Net position - beginning of year	780.1	716.9	63.2	8.8 %
Net position - end of year	$ 839.3	$ 780.1	$ 59.2	7.6 %

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 $839.3 million and $780.1 million as of 2022 and 2021 year-ends, respectively. The largest portion (81.5 percent) of the FWCU net position in 2022 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 ($85.6 million, or 10.2 percent) represents resources that are subject to external restrictions on how they may be used.

Operating revenues increased $10.0 million (5.9 percent) across utilities mainly due to approved scheduled rate increases. In turn, operating expenses increased $10.6 million (11.9 percent) primarily due to an increase in pension-related expenses, increase in chemicals prices and depreciation related to closed capital projects.

Capital Assets and Capital Improvement Program

The FWCU capital assets in service total $1,942.6 million with an accumulated depreciation of $529.7 million for a net book value of $1,412.9 million. The statement of net position also includes $421.2 million in construction in progress reflecting capital projects in various stages of completion. During 2022, approximately $117.0 million was invested in capital projects (see Note 6).

Debt

As more fully detailed in Note 10, at December 31, 2022, FWCU had approximately $886.4 million in bonds and loans payable, a net decrease of $12.7 million over last year.

The 2022 net decrease of $12.7 million in debt is simply due to a lower level of debt issuance, compared to prior years, netted with the scheduled payments against the existing bonds and loans.

FWCU paid principal of $52.0 million and $44.1 million in 2022 and 2021, respectively.

Economic Factors and Next Year's Budget and Rates

FWCU operates a water, wastewater, and a stormwater utility serving the greater Fort Wayne area. Using its 2017 strategic plan as a guide, its mission is to support public safety, public health, and enhance regional economic development by delivering high-quality and affordable water, wastewater, and stormwater services in ways that protect the environment. FWCU is successfully achieving its vision of a becoming nationally recognized as a regional utility of excellence, as evidenced by several national awards, through its six strategic initiatives: human capital development, community and employee engagement, customer service, technology, affordability and cost management, and environmental stewardship and conservation.

On December 28, 2007, FWCU agreed to a Long-Term Control Plan (LTCP) to reduce Combined Sewer Overflows (CSOs), as part of a federal Consent Decree, which will ultimately bring the FWCU combined storm and sanitary sewer system into compliance with the federal Clean Water Act. The Consent Decree became effective April 1, 2008. Through the LTCP, FWCU committed to CSO reductions that require an investment of approximately $240.0 million (denominated in 2005 dollars) in infrastructure solutions over the 18-year period from 2008 through 2025. This 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. 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 terms and conditions of the Consent Decree, meeting or exceeding all required deadlines, milestones, and objectives. Significantly, FWCU has completed to date: the upgrade to the wastewater plant to increase its treatment capacity from 60 million gallons per day (mgd) to 100 mgd and completed 33 combined sewer separation projects. FWCU also constructed a wet weather pond bleed-back process that fully treats over one billion gallons of wastewater each year that previously entered the Maumee River only partially treated. Untreated wastewater storage capacity was increased by nearly 100 million gallons through several pond enhancement projects and the pump station used to fill those ponds has had its capacity increased to maximize the available storage.

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

The Wastewater Utility Capital Improvement Plan also supports the rehabilitation of existing pipes through cured-in-place lining. Lining wastewater pipelines significantly extends the life of the pipeline, improves overall system flow, and reduces reactive maintenance. Since 2008, FWCU has invested $63.8 million to line approximately 212 miles of pipe. The annual pipe enhancement rate since 2008 exceeds our annual goal of one percent per year.

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

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

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

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 though strategic operation and maintenance of the water system.

FWCU has completed the fifth year of its strategic plan and is currently in the process of updating it to reflect a post-pandemic world and guide the utility through the next five years.

Request for Information

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

FORT WAYNE CITY UTILITIES
Statement of Net Position
At December 31, 2022

	Water	Wastewater	Stormwater	Electric	Yard Waste	Total
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ 21,596,248	$ 32,572,831	$ 20,812,132	$ —	$ 1,573,607	$ 76,554,818
Receivables:						
Customers, net of allowance for doubtful accounts of $46,795	7,712,304	12,765,750	1,896,930	—	46,720	22,421,704
Installments receivable, current portion	10,708	—	—	—	—	10,708
Assessments receivable, current portion	—	9,040	—	—	—	9,040
Interest receivable	307,974	823,014	180,970	—	6,437	1,318,395
Due from City of Fort Wayne	212,397	324,471	74,143	—	1,696	612,707
Other current assets	—	35,100	—	—	—	35,100
Materials and supplies	1,511,795	348,578	—	—	—	1,860,373
Prepaid expenses	401,910	545,027	51,856	—	1,602	1,000,395
Total current assets	31,753,336	47,423,811	23,016,031	—	1,630,062	103,823,240
NONCURRENT ASSETS:						
Restricted cash and cash equivalents	45,490,959	142,536,416	906,229	—	—	188,933,604
Restricted investments	13,498,786	73,500,776	3,080,050	—	—	90,079,612
Leases receivable	1,119,746	—	—	—	—	1,119,746
Regulatory assets	1,613,307	2,144,840	218,925	—	—	3,977,072
Installments receivable	207,793	2,645	—	—	—	210,438
Assessments receivable	—	320,905	—	—	—	320,905
Capital assets:						
Land	6,219,867	4,507,900	6,436,115	75,732	—	17,239,614
Distribution and collection	265,743,955	429,068,294	197,048,771	—	—	891,861,020
Buildings and improvements	92,927,243	221,376,450	3,589,334	1,121,198	68,777	319,083,002
Equipment and other	139,748,081	146,720,201	6,337,463	342,787	12,389	293,160,921
Less: Accumulated depreciation	(204,296,252)	(267,099,466)	(56,755,163)	(1,463,985)	(77,334)	(529,692,200)
Plus: Construction in progress	42,413,983	366,633,468	12,149,486	—	7,544	421,204,481
Net capital assets	342,756,877	901,206,847	168,806,006	75,732	11,376	1,412,856,838
Total noncurrent assets	404,687,468	1,119,712,429	173,011,210	75,732	11,376	1,697,498,215
Total assets	$ 436,440,804	$ 1,167,136,240	$ 196,027,241	$ 75,732	$ 1,641,438	$ 1,801,321,455
DEFERRED OUTFLOWS OF RESOURCES (Note 7):	$ 2,850,300	$ 4,837,910	$ 1,041,686	$ —	$ —	$ 8,729,896

LIABILITIES						
CURRENT LIABILITIES:						
Accounts payable	$ 813,178	$ 794,538	$ 59,365	$ —	$ 1,615	$ 1,668,696
Contracts payable	3,412,778	16,411,533	926,916	—	9,913	20,761,140
Retainage payable	565,461	594,878	162,997	—	—	1,323,336
Wages and withholdings payable	617,322	586,004	115,868	—	1,196	1,320,390
Due to City of Fort Wayne	2,745,372	4,199,626	826,823	—	4,504	7,776,325
Compensated absences payable - current portion	682,336	814,457	163,379	—	2,232	1,662,404
Other current liabilities	328,655	1,536	4,278	—	—	334,469
Accrued interest payable	426,388	7,481,800	220,168	—	—	8,128,356
Bonds payable, current portion	6,450,000	17,025,000	1,605,000	—	—	25,080,000
Loans payable, current portion	4,946,384	21,078,305	375,740	—	—	26,400,429
Total OPEB liability, current portion	341,113	564,981	96,000	—	—	1,002,094
Unearned revenue	—	5,000,000	—	—	—	5,000,000
Customer deposits	2,066,511	—	—	—	—	2,066,511
Total current liabilities	23,395,498	74,552,658	4,556,534	—	19,460	102,524,150
NONCURRENT LIABILITIES:						
Bonds payable, net of unamortized bond discount/ premium	86,069,150	145,618,910	17,836,378	—	—	249,524,438
Loans payable	83,489,628	500,669,459	1,258,072	—	—	585,417,159
Compensated absences payable	130,714	183,035	9,834	—	318	323,901
Net pension liability	4,301,130	6,198,476	2,371,498	—	—	12,871,104
Total OPEB liability	4,405,157	6,422,485	2,669,964	—	—	13,497,606
Total noncurrent liabilities	178,395,779	659,092,365	24,145,746	—	318	861,634,208
Total liabilities	$ 201,791,277	$ 733,645,023	$ 28,702,280	$ —	$ 19,778	$ 964,158,358
DEFERRED INFLOWS OF RESOURCES (Note 8):	$ 2,934,133	$ 2,791,188	$ 830,679	$ —	$ —	$ 6,556,000
NET POSITION:						
Net investment in capital assets	$ 196,670,704	$ 339,573,939	$ 147,608,533	$ 75,732	$ 11,109	$ 683,940,017
Restricted						
For debt service	14,924,656	62,921,163	2,859,882	—	—	80,705,701
For capital projects	2,979,230	1,943,652	—	—	—	4,922,882
Unrestricted	19,991,104	31,099,185	17,067,553	—	1,610,551	69,768,393
Total net position	$ 234,565,694	$ 435,537,939	$ 167,535,968	$ 75,732	$ 1,621,660	$ 839,336,993
Total liabilities, deferred inflows of resources and net position	$ 439,291,104	$ 1,171,974,150	$ 197,068,927	$ 75,732	$ 1,641,438	$ 1,810,051,351

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, 2022

	Water	Wastewater	Stormwater	Electric	Yard Waste	Total
OPERATING REVENUES:						
Charges for goods and services	$ 61,730,059	$ 103,249,340	$ 14,967,822	$ —	$ 518,128	$ 180,465,349
OPERATING EXPENSES:						
Personnel services	11,148,650	9,338,871	1,949,596	—	—	22,437,117
Contractual services	1,715,366	4,176,247	304,462	—	104,005	6,300,080
Utilities	2,098,335	2,263,170	74,670	—	7,091	4,443,266
Chemicals	4,872,463	1,312,289	—	—	—	6,184,752
Administrative services	5,560,761	9,210,215	1,515,977	—	49,008	16,335,961
Other supplies/services	3,374,575	5,210,689	363,965	—	—	8,949,229
Depreciation	11,459,130	19,953,153	3,790,204	4,575	1,116	35,208,178
Total operating expenses	40,229,280	51,464,634	7,998,874	4,575	161,220	99,858,583
Operating income (loss)	21,500,779	51,784,706	6,968,948	(4,575)	356,908	80,606,766
NONOPERATING REVENUES (EXPENSES):						
Investment income	1,139,205	3,220,867	339,656	—	15,761	4,715,489
Leases and installments interest income	44,968	24,100	—	—	—	69,068
Interest expense	(5,144,249)	(17,449,093)	(526,712)	—	—	(23,120,054)
Amortization of regulatory assets	(252,776)	(286,007)	(37,955)	—	—	(576,738)
Gain (loss) on disposal of assets	(1,369,905)	(899,450)	364	—	12	(2,268,979)
Total nonoperating revenues (expenses)	(5,582,757)	(15,389,583)	(224,647)	—	15,773	(21,181,214)
Income (loss) before capital contributions, transfers and special items	15,918,022	36,395,123	6,744,301	(4,575)	372,681	59,425,552
Capital contributions	3,410,375	2,687,776	4,614,609	—	—	10,712,760
Transfers in	280,000	—	—	—	—	280,000
Transfers out	(3,495,564)	(5,820,456)	(1,232,956)	—	—	(10,548,976)
Special Item - net position of transferred ACRWSD operations (Note 20)	—	(607,566)	—	—	—	(607,566)
Change in net position	16,112,833	32,654,877	10,125,954	(4,575)	372,681	59,261,770
Total net position, beginning of year	218,452,861	402,883,062	157,410,014	80,307	1,248,979	780,075,223
Total net position, end of year	$ 234,565,694	$ 435,537,939	$ 167,535,968	$ 75,732	$ 1,621,660	$ 839,336,993

See accompanying notes to the financial statements.

FORT WAYNE CITY UTILITIES
Statement of Cash Flows
For the Year Ended December 31, 2022

	Water	Wastewater	Stormwater	Electric	Yard Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers and others	$ 60,919,880	$103,931,958	$ 15,160,298	$ —	$ 505,990	$180,518,126
Payments to suppliers	(17,469,489)	(22,625,847)	(2,303,481)	—	(159,961)	(42,558,778)
Payments to employees	(11,634,394)	(9,895,868)	(2,026,127)	—	—	(23,556,389)
Net cash provided by operating activities	31,815,997	71,410,243	10,830,690	—	346,029	114,402,959
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers out	(3,495,564)	(5,820,456)	(952,956)	—	—	(10,268,976)
Transfers from ACRWSD (Note 20)	—	2,490,944	—	—	—	2,490,944
Net cash used by noncapital financing activities	(3,495,564)	(3,329,512)	(952,956)	—	—	(7,778,032)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(27,325,605)	(71,541,300)	(5,303,399)	—	(4,576)	(104,174,880)
Proceeds from long-term debt	1,168,947	25,979,736	503,720	—	—	27,652,403
Bond discount & premium addition	—	269,786	—	—	—	269,786
Interest paid on long-term debt	(5,234,787)	(16,711,870)	(566,981)	—	—	(22,513,638)
Acquisition of regulatory assets	(60,001)	(671,994)	—	—	—	(731,995)
Principal paid on long-term debt	(9,275,195)	(40,796,286)	(1,905,302)	—	(240)	(51,977,023)
Proceeds from sales of assets	244,430	103,390	365	—	12	348,197
Contribution in aid of construction	80,000	5,000,000	893,518	—	—	5,973,518
Net cash used by capital and related financing activities	(40,402,211)	(98,368,538)	(6,378,079)	—	(4,804)	(145,153,632)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of investments	(13,498,786)	(88,499,287)	(3,080,050)	—	—	(105,078,123)
Sale of investments	—	14,998,511	—	—	—	14,998,511
Investment income received	831,768	2,397,853	158,686	—	9,324	3,397,631
Net cash provided (used) by investing activities	(12,667,018)	(71,102,923)	(2,921,364)	—	9,324	(86,681,981)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(24,748,796)	(101,390,730)	578,291	—	350,549	(125,210,686)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	91,836,003	276,499,977	21,140,070	—	1,223,058	390,699,108
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 67,087,207	$175,109,247	$ 21,718,361	$ —	$ 1,573,607	$265,488,422

(Continued)

FORT WAYNE CITY UTILITIES
Statement of Cash Flows
For the Year Ended December 31, 2022
(Continued)

	Water	Wastewater	Stormwater	Electric	Yard Waste	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating income (loss)	$ 21,500,779	$ 51,784,706	$ 6,968,948	$ (4,575)	$ 356,908	$ 80,606,766
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation	11,459,130	19,953,153	3,790,204	4,575	1,116	35,208,178
Provision for doubtful accounts	865	(14,705)	203	—	—	(13,637)
Changes in assets, liabilities, and deferred outflows and inflows of resources:						
Receivables	(811,044)	697,323	192,273	—	(12,138)	66,414
Other assets	(200,163)	(558,141)	(50,353)	—	(1,601)	(810,258)
Accounts payable	352,174	104,904	5,946	—	1,744	464,768
Other liabilities	(131,025)	(19,663)	16,116	—	—	(134,572)
Deferred outflows - Pension	(212,172)	(345,799)	(60,102)	—	—	(618,073)
Deferred outflows - OPEB	195,970	324,582	55,153	—	—	575,705
Net pension liability	2,525,076	4,182,250	710,642	—	—	7,417,968
Total OPEB liability	(741,400)	(1,227,972)	(208,656)	—	—	(2,178,028)
Deferred inflows - Pension	(2,630,932)	(4,357,577)	(740,433)	—	—	(7,728,942)
Deferred inflows - OPEB	535,645	887,182	150,749	—	—	1,573,576
Deferred inflows - Leases receivable	(26,906)	—	—	—	—	(26,906)
Net cash provided by operating activities	$ 31,815,997	$ 71,410,243	$ 10,830,690	$ —	$ 346,029	$114,402,959
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Capital assets acquired through accounts payable	$ 3,723,971	$ 16,260,685	$ 1,028,512	$ —	$ 267	$ 21,013,435
Capital asset contribution	3,330,375	2,687,776	3,721,091	—	—	9,739,242
Interfund capital asset transfers	280,000	—	(280,000)	—	—	—
Amortization of bond premium	128,331	513,559	34,520	—	—	676,410
Long-term debt refunded	—	5,555,000	—	—	—	5,555,000
Effect of transfer of operations (See Note 20):						
Customer and assessment receivables	—	300,214	—	—	—	300,214
Materials and supplies	—	181,091	—	—	—	181,091
Net capital assets	—	8,459,513	—	—	—	8,459,513
Current liabilities	—	6,328	—	—	—	6,328
Loans payable	—	12,033,000	—	—	—	12,033,000
Amortization of deferred outflows of resources - Debt refunding loss	—	103,734	—	—	—	103,734

See accompanying notes to the financial statements.

Note 1. Nature of Operations and Significant Accounting Policies

Financial Reporting Entity:

Fort Wayne City Utilities (FWCU) is a division of the City of Fort Wayne, Indiana. The financial statements reflect only the activity of FWCU and are not intended to present fairly the financial position of the City of Fort Wayne, Indiana and the results of its operations and cash flows of its enterprise funds. FWCU consists of Water, Wastewater, Stormwater, 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 and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents:

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

Investments:

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

Accounts Receivable, Net:

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

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.

Lease Assets:

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

Net Position:

The components of net position are categorized as follows:

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

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

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

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

Capital Assets:

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

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.

Lease Receivables:

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

Compensated Absences:

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

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

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

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

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

<u>Classification of Revenues:</u>

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

- Operating revenues include activities that have the characteristics of exchange transactions, such as customer charges.

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

<u>Deferred Outflows of Resources:</u>

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 assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

Also included in this category are the deferred outflows of resources related to pensions and OPEB, as detailed in Note 15 and Note 16, respectively. The breakdown by category of deferred outflows of resources for each utility is outlined in Note 7.

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 assets that applies to future periods and, therefore, will not be recognized as an inflow of resources (revenue) until then. At this time, the items that qualify for reporting in this category are related to the deferred inflows related to pension, deferred inflows related to OPEB and deferred inflows related to leases receivable. For further information see Note 15 and Note 16, respectively. The breakdown by category of deferred outflows of resources for each utility is outlined in Note 8.

Note 2. Deposits and Investments

Deposits:

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

Investments:

Authorization for investment activity is stated in Indiana Code IC 5-13. As of December 31, 2022, FWCU has the following investments:

	Investment Maturity		
Investment Type	Less Than 1 Year	Greater Than 1 Year	Total
U.S. Government Securities	$ 75,138,411	$ 14,941,201	$ 90,079,612

Investments are presented in the Statement of Net position as follows at December 31, 2022:

	Water Utility	Wastewater Utility	Stormwater Utility	Electric Utility	Yard Waste Utility	Total
Restricted investments (See Note 3)	$ 13,498,786	$ 73,500,776	$ 3,080,050	$ —	$ —	$ 90,079,612

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. These investments are required by statute to have a stated final maturity of not more than five years.

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

Investment Custodial Credit Risk:

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

Interest Rate Risk:

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

Credit Risk:

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

Concentration of Credit Risk:

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

Disclosure About Fair Value of Financial Investments:

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

> Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that FWCU has the ability to access.
>
> Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
>
> Level 3: Inputs to the valuations methodology are unobservable and significant to the fair value measurement.

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

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

The following table summarizes the valuation of investments by the fair value hierarchy levels as of December 31, 2022:

Investments by Fair Value Level	Fair Value	Level 1	Level 2	Level 3
U.S. Government Securities	90,377,303	90,377,303	—	—

Note 3. Restricted Assets

Restricted assets consisted of the following at December 31, 2022:

	Water Utility	Wastewater Utility	Stormwater Utility	Electric Utility	Yard Waste Utility	Total
Cash and cash equivalents:						
Debt service reserve	$ 4,510,913	$ 30,384,714	$ —	$ —	$ —	$ 34,895,627
Construction	38,592,960	110,208,050	906,229	—	—	149,707,239
Customer deposits	2,066,511	—	—	—	—	2,066,511
System development charge fund	320,575	—	—	—	—	320,575
Septic elimination program	—	1,943,652	—	—	—	1,943,652
Total cash and cash equivalents	$ 45,490,959	$ 142,536,416	$ 906,229	$ —	$ —	$ 188,933,604
Investments:						
Sinking fund	$ 1,322,217	$ 22,951,373	$ 879,500	$ —	$ —	$ 25,153,090
Debt service reserve	9,517,914	17,066,876	2,200,550	—	—	28,785,340
Construction	—	33,482,527	—	—	—	33,482,527
System development charge fund	1,871,535	—	—	—	—	1,871,535
Lead service line replacement program	787,120	—	—	—	—	787,120
Total investments	$ 13,498,786	$ 73,500,776	$3,080,050	$ —	$ —	$ 90,079,612

Sinking Fund:

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

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

Debt Service Reserve:

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

Prior to 2009, all FWCU revenue bonds' debt service reserves were funded through surety bond insurance. As a result of the financial crisis that occurred in late 2008 - early 2009 and up to and including 2022, 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, 2022, all surety bond insurance for Waterworks, Sewage Works and Stormwater Revenue Bonds have been replaced with cash funded debt service reserves as required by bond ordinance.

Construction:

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

Customer Deposits:

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

System Development Charge Fund:

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

Septic Elimination Program:

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

Lead Service Line Replacement Program

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

Note 4. Leases Receivable

FWCU, through its Water Utility, leases space on its water towers to various third parties, the terms of which expire 2042 through 2049. Payments increase annually based upon the Consumer Price Index (CPI). The leases were measured based upon the CPI at lease commencement. During 2022, FWCU recognized $68,941 as revenue under lease contracts, which includes both lease revenue and interest.

Note 5. Installments and Assessments Receivable

Installments Receivable represent payments due from water customers in lieu of Lead Service Line Replacement Program financial assistance. The financed amounts are up to $3,000 individually and are due in 120 monthly principal installments plus interest of 7.5 percent per year.

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

Note 6. Capital Assets

The following changes occurred in capital assets by fund during the year ended December 31, 2022:

Water Utility

	Balance, 1/1/2022	Additions	Disposals	Transfers and Adjustments	Balance, 12/31/2022
Land	$ 6,332,903	$ —	$ 358,715	$ 245,679	$ 6,219,867
Distribution and collection	257,736,207	—	898,672	8,906,420	265,743,955
Buildings and improvement	90,428,537	—	967,770	3,466,476	92,927,243
Equipment and other	139,441,267	1,056,676	5,067,771	4,317,909	139,748,081
Construction in progress	27,663,413	31,141,556	—	(16,390,986)	42,413,983
Sub-total	521,602,327	32,198,232	7,292,928	545,498	547,053,129
Less accumulated depreciation:					
Distribution and collection	76,132,279	3,999,516	583,940	—	79,547,855
Buildings and improvement	43,227,528	3,169,654	392,763	—	46,004,419
Equipment and other	78,759,370	4,289,960	4,566,318	260,966	78,743,978
Sub-total	198,119,177	11,459,130	5,543,021	260,966	204,296,252
Net Capital Assets	$ 323,483,150	$ 20,739,102	$ 1,749,907	$ 284,532	$ 342,756,877

Wastewater Utility

	Balance, 1/1/2022	Additions	Disposals	Transfers and Adjustments	Balance, 12/31/2022
Land	$ 4,308,942	$ —	$ 37,222	$ 236,180	$ 4,507,900
Distribution and collection	411,188,407	70,643	2,411,118	20,220,362	429,068,294
Buildings and improvement	219,745,683	—	—	1,630,767	221,376,450
Equipment and other	158,656,266	1,566,951	16,122,770	2,619,754	146,720,201
Construction in progress	305,160,550	74,693,584	—	(13,220,666)	366,633,468
Sub-total	1,099,059,848	76,331,178	18,571,110	11,486,397	1,168,306,313
Less accumulated depreciation:					
Distribution and collection	107,896,878	6,804,344	2,052,518	2,056,748	114,705,452
Buildings and improvement	69,629,363	5,603,519	—	194,853	75,427,735
Equipment and other	84,154,658	7,545,290	15,515,752	782,083	76,966,279
Sub-total	261,680,899	19,953,153	17,568,270	3,033,684	267,099,466
Net Capital Assets	$ 837,378,949	$ 56,378,025	$ 1,002,840	$ 8,452,713	$ 901,206,847

Stormwater Utility

	Balance, 1/1/2022	Additions	Disposals	Transfers and Adjustments	Balance, 12/31/2022
Land	$ 6,434,055	$ —	$ —	$ 2,060	$ 6,436,115
Distribution and collection	191,276,814	—	1,250,002	7,021,959	197,048,771
Buildings and improvement	3,589,334	—	—	—	3,589,334
Equipment and other	6,334,582	312,493	2,034	(307,578)	6,337,463
Construction in progress	11,466,639	8,176,002	—	(7,493,155)	12,149,486
Sub-total	219,101,424	8,488,495	1,252,036	(776,714)	225,561,169
Less accumulated depreciation:					
Distribution and collection	49,217,404	3,199,386	1,250,001	—	51,166,789
Buildings and improvement	1,122,699	146,112	—	—	1,268,811
Equipment and other	4,373,929	444,706	2,034	(497,038)	4,319,563
Sub-total	54,714,032	3,790,204	1,252,035	(497,038)	56,755,163
Net Capital Assets	$ 164,387,392	$ 4,698,291	$ 1	$ (279,676)	$ 168,806,006

Electric Utility

	Balance, 1/1/2022	Additions	Disposals	Transfers and Adjustments	Balance, 12/31/2022
Land	$ 75,732	$ —	$ —	$ —	$ 75,732
Buildings and improvement	1,121,198	—	—	—	1,121,198
Equipment and other	342,787	—	—	—	342,787
Sub-total	1,539,717	—	—	—	1,539,717
Less accumulated depreciation:					
Buildings and improvement	1,121,187	11	—	—	1,121,198
Equipment and other	338,223	4,564	—	—	342,787
Sub-total	1,459,410	4,575	—	—	1,463,985
Net Capital Assets	$ 80,307	$ (4,575)	$ —	$ —	$ 75,732

Yard Waste Utility

	Balance, 1/1/2022	Additions	Disposals	Transfers and Adjustments	Balance, 12/31/2022
Buildings and improvement	68,777	—	—	—	68,777
Equipment and other	8,869	1,368	66	2,218	12,389
Construction in progress	4,908	1,409	—	1,227	7,544
Sub-total	82,554	2,777	66	3,445	88,710
Less accumulated depreciation:					
Buildings and improvement	68,777	—	—	—	68,777
Equipment and other	6,006	1,116	66	1,501	8,557
Sub-total	74,783	1,116	66	1,501	77,334
Net Capital Assets	$ 7,771	$ 1,661	$ —	$ 1,944	$ 11,376

Total FWCU

	Balance, 1/1/2022	Additions	Disposals	Transfers and Adjustments	Balance, 12/31/2022
Land	$ 17,151,632	$ —	$ 395,937	$ 483,919	$ 17,239,614
Distribution and collection	860,201,428	70,643	4,559,792	36,148,741	891,861,020
Buildings and improvement	314,953,529	—	967,770	5,097,243	319,083,002
Equipment and other	304,783,771	2,937,488	21,192,641	6,632,303	293,160,921
Construction in progress	344,295,510	114,012,551	—	(37,103,580)	421,204,481
Sub-total	1,841,385,870	117,020,682	27,116,140	11,258,626	1,942,549,038
Less accumulated depreciation:					
Distribution and collection	233,246,561	14,003,246	3,886,459	2,056,748	245,420,096
Buildings and improvement	115,169,554	8,919,296	392,763	194,853	123,890,940
Equipment and other	167,632,186	12,285,636	20,084,170	547,512	160,381,164
Sub-total	516,048,301	35,208,178	24,363,392	2,799,113	529,692,200
Net Capital Assets	$1,325,337,569	$ 81,812,504	$ 2,752,748	$ 8,459,513	$1,412,856,838

The net amount of $8,459,513 in transfers and adjustments represents $11,258,626 in assets and $2,799,113 in related accumulated depreciation transferred from Allen County Regional Water Sewer District (see Note 20).

Note 7. Deferred Outflows of Resources

The following is a summary of changes in deferred outflows of resources for the year ended December 31, 2022:

Water Utility

Outflow of resources related to:	Balance, 1/1/2022	Additions	Deductions	Balance, 12/31/2022
Pensions (see Note 15)	$ 1,567,007	$ 212,172	$ —	$ 1,779,179
OPEB (see Note 16)	1,267,091	—	195,970	1,071,121
Total	$ 2,834,098	$ 212,172	$ 195,970	$ 2,850,300

Wastewater Utility

Outflow of resources related to:	Balance, 1/1/2022	Additions	Deductions	Balance, 12/31/2022
Debt refunding loss	$ 480,639	$ —	$ 103,734	$ 376,905
Pensions (see Note 15)	2,518,062	345,799	—	2,863,861
OPEB (see Note 16)	1,921,726	—	324,582	1,597,144
Total	$ 4,920,427	$ 345,799	$ 428,316	$ 4,837,910

Stormwater Utility

Outflow of resources related to:	Balance, 1/1/2022	Additions	Deductions	Balance, 12/31/2022
Pensions (see Note 15)	$ 459,595	$ 60,102	$ —	$ 519,697
OPEB (see Note 16)	577,142	—	55,153	521,989
Total	$ 1,036,737	$ 60,102	$ 55,153	$ 1,041,686

Total FWCU

Outflow of resources related to:	Balance, 1/1/2022	Additions	Deductions	Balance, 12/31/2022
Debt refunding loss	$ 480,639	$ —	$ 103,734	$ 376,905
Pensions (see Note 15)	4,544,664	618,073	—	5,162,737
OPEB (see Note 16)	3,765,959	—	575,705	3,190,254
Total	$ 8,791,262	$ 618,073	$ 679,439	$ 8,729,896

Note 8. Deferred Inflows of Resources

The following is a summary of changes in deferred inflows of resources for the year ended December 31, 2022:

Water Utility

Inflow of resources related to:	Balance, 1/1/2022 (as restated)	Additions	Deductions	Balance, 12/31/2022
Pensions (see Note 15)	$ 2,870,944	$ —	$ 2,630,932	$ 240,012
OPEB (see Note 16)	1,065,636	535,645	—	1,601,281
Leases receivable (see Note 4)	521,955	609,855	38,970	1,092,840
Total	$ 4,458,535	$ 1,145,500	$ 2,669,902	$ 2,934,133

Wastewater Utility

Inflow of resources related to:	Balance, 1/1/2022	Additions	Deductions	Balance, 12/31/2022
Pensions (see Note 15)	$ 4,621,219	$ —	$ 4,357,577	$ 263,642
OPEB (see Note 16)	1,640,364	887,182	—	2,527,546
Total	$ 6,261,583	$ 887,182	$ 4,357,577	$ 2,791,188

Stormwater Utility

Inflow of resources related to:	Balance, 1/1/2022	Additions	Deductions	Balance, 12/31/2022
Pensions (see Note 15)	$ 1,002,345	$ —	$ 740,433	$ 261,912
OPEB (see Note 16)	418,018	150,749	—	568,767
Total	$ 1,420,363	$ 150,749	$ 740,433	$ 830,679

Total FWCU

Inflow of resources related to:	Balance, 1/1/2022 (as restated)	Additions	Deductions	Balance, 12/31/2022
Pensions (see Note 15)	$ 8,494,508	$ —	$ 7,728,942	$ 765,566
OPEB (see Note 16)	3,124,018	1,573,576	—	4,697,594
Leases receivable (see Note 4)	521,955	609,855	38,970	1,092,840
Total	$ 12,140,481	$ 2,183,431	$ 7,767,912	$ 6,556,000

Note 9. Developer Notes Payable

Certain future revenues in newly developed areas are pledged as payment to retire developer debt associated with infrastructure installed to enable the new developments. Capital surcharges applicable only to designated new development regions and area connection fees generated from the designated new development regions will be applied to the developer debt until paid in full. Only revenue generated and collected from the new developments is available to retire the debt. In 2022, the Water Utility was the only utility with outstanding developer notes payable. As of December 31, 2022 the total developer notes payable liability, included in current liabilities, is $7,334 and total pledged revenues in 2022 were $2,933.

Note 10. Long-Term Debt

Bonds Payable:

Water Utility bonds payable at December 31, 2022 are as follows:

Water Works Revenue Bonds of 2012 - original issue of $40,000,000 - due in annual installments of $2,280,000 to $2,975,000 plus interest at 3.000 percent to 3.000 percent through December 1, 2032, redeemable prior to maturity for bonds maturing on or after 2023, plus unamortized bond premium of $169,534.	$ 26,294,534
Water Works Revenue Bonds of 2014 - original issue of $63,000,000 - due in annual installments of $3,710,000 to $5,730,000 plus interest at 3.000 percent to 4.000 percent through December 1, 2034, plus unamortized bond premium of $643,884.	55,773,884
Water Works Revenue Bonds of 2019 Series A - original issue of $11,770,000 - due in annual installments of $460,000 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 $9,268.	10,450,732
Total	92,519,150
Less: Current portion	(6,450,000)
Noncurrent bonds payable, net	$ 86,069,150

Water Utility bond debt service requirements to maturity as of December 31, 2022 are as follows:

Year Due	Principal	Interest	Total
2023	$ 6,450,000	$ 3,067,156	$ 9,517,156
2024	6,640,000	2,855,256	9,495,256
2025	6,875,000	2,639,906	9,514,906
2026	7,085,000	2,426,306	9,511,306
2027	7,345,000	2,206,181	9,551,181
2028-2032	41,005,000	7,218,595	48,223,595
2033-2037	14,715,000	871,310	15,586,310
2038-2039	1,600,000	1,009	1,601,009
Total	$ 91,715,000	$ 21,285,719	$ 113,000,719

Wastewater Utility bonds payable at December 31, 2022 are as follows:

Sewage Works Revenue Bonds of 2011 Series A - original issue of $38,100,000 - due in annual installments of $3,140,000 to $3,490,000 plus interest at 2.800 percent through August 1, 2026, redeemable at 100 percent beginning in 2022.	$ 13,240,000
Sewage Works Revenue Bonds of 2012 Series B - original issue of $15,530,000 - due in annual installments of $1,155,000 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 $98,644.	6,208,644
Sewage Works Revenue Bonds of 2013 Series A - original issue of $32,955,000 - due in annual installments of $3,955,000 to $4,060,000 plus interest at 1.950 percent through August 1, 2024.	8,015,000
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 $210,535.	42,470,535
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 $470,737.	15,115,737
Sewage Works Refunding Revenue Bonds of 2017 Series A - original issue of $16,700,000 - due in annual installments of $1,275,000 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.	11,060,000
Sewage Works Refunding Revenue Bonds of 2017 Series B - original issue of $16,700,000 - due in annual installments of $1,275,000 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.	11,040,000
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 $968,115.	30,238,115

Sewage Works Revenue Bonds of 2022 Series A - original issue of $25,000,000 - due in annual installments of $300,000 to $1,895,000 plus interest at .050 percent to 5.000 percent through August 1, 2042, redeemable at 100 percent beginning on August 1, 2031, plus unamortized bond premium of $255,879.	25,255,879
Total	162,643,910
Less: Current portion	(17,025,000)
Noncurrent bonds payable, net	$ 145,618,910

Wastewater Utility bond debt service requirements to maturity as of December 31, 2022 are as follows:

Year Due	Principal	Interest	Total
2023	$ 17,025,000	$ 5,183,523	$ 22,208,523
2024	17,510,000	4,722,664	22,232,664
2025	18,025,000	4,191,578	22,216,578
2026	16,500,000	3,602,837	20,102,837
2027	13,355,000	3,078,848	16,433,848
2028-2032	47,935,000	9,795,529	57,730,529
2033-2037	17,870,000	3,511,964	21,381,964
2038-2042	12,420,000	711,126	13,131,126
Total	$ 160,640,000	$ 34,798,069	$ 195,438,069

Stormwater Utility bonds payable at December 31, 2022 are as follows:

Stormwater Management District Revenue Bonds of 2017 - original issue of $27,320,000 - due in semiannual installments of $800,000 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 $196,378.	$ 19,441,378
Less: Current portion	(1,605,000)
Noncurrent bonds payable, net	$ 17,836,378

Stormwater Utility bond debt service requirements to maturity as of December 31, 2022 are as follows:

Year Due	Principal	Interest	Total
2023	$ 1,605,000	$ 502,800	$ 2,107,800
2024	1,640,000	470,550	2,110,550
2025	1,680,000	437,550	2,117,550
2026	1,730,000	403,700	2,133,700
2027	1,775,000	364,500	2,139,500
2028-2032	9,750,000	983,475	10,733,475
2033	1,065,000	15,975	1,080,975
Total	$ 19,245,000	$ 3,178,550	$ 22,423,550

Loans Payable:

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

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

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

Details of all Water Utility loans payable at December 31, 2022 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, 2022 total drawn amount is $6,598,158.	$	5,689,158
SRF Advance loans:		
Water Works SRF Revenue Bonds of 2011 Series B - original pool share of $26,906,000 - due in annual installments of $1,559,000 to $2,073,000 plus interest at 2.967 percent through December 1, 2031, redeemable prior to maturity for bonds maturing after 2021.		16,249,000
Water Works SRF Revenue Bonds of 2019 Series C - original pool share of $21,740,000 - due in annual installments of $286,000 to $1,234,000 plus interest at 2.970 percent through December 1, 2048, redeemable prior to maturity for bonds maturing after 2029.		19,577,000
Water Works SRF Revenue Bonds of 2021 - original issue of $44,480,000 - due in annual installments of $1,792,734 to $2,732,480 plus interest at 1.950 percent through December 1, 2042, redeemable prior to maturity for bonds maturing after 2032.		44,470,000

Commercial loans:

2017 Commercial Loan - original amount of $432,627 - due in semiannual installments of $33,394 including interest at 2.103 percent through April 6, 2024.	98,112
2018 Commercial Loan - original amount of $255,588 - due in semiannual installments of $20,515 including interest at 3.202 percent through April 4, 2025.	97,844
2019 Commercial Loan - original amount of $471,435 - due in semiannual installments of $37,232 including interest at 2.730 percent through April 4, 2026.	246,923
2020 Commercial Loan - original amount of $948,548 - due in semiannual installments of $71,010 including interest at 1.263 percent through April 5, 2027.	619,347
2021 Commercial Loan - original amount of $827,009 - due in semiannual installments of $62,175 including interest at 1.380 percent through April 4, 2028.	656,433
2022 Commercial Loan - original amount of $784,275 - due in semiannual installments of $60,807 including interest at 2.229 percent through April 25, 2029.	732,195
Total	88,436,012
Less: Current portion	(4,946,384)
Noncurrent loans payable	$ 83,489,628

Water Utility anticipated loan debt service requirements to maturity, after all remaining loan principal has been drawn down, as of December 31, 2022 are as follows:

Year Due	Principal	Interest	Total
2023	$ 4,946,384	$ 1,973,327	$ 6,919,711
2024	5,038,621	1,859,256	6,897,877
2025	5,116,285	1,742,986	6,859,271
2026	5,189,770	1,624,615	6,814,385
2027	5,215,873	1,504,694	6,720,567
2028-2032	24,394,435	5,672,845	30,067,280
2033-2037	18,952,685	3,173,970	22,126,655
2038-2042	17,503,801	1,204,177	18,707,978
2043-2047	2,458,000	192,650	2,650,650
2048	522,000	8,078	530,078
Total	$ 89,337,854	$ 18,956,598	$ 108,294,452

Details of all Wastewater Utility loans payable at December 31, 2022 are as follows:

SRF Draw-down loans:

Sewage Works SRF Revenue Bonds of 2009 Series A - maximum draw of $5,000,000 - due in annual installments of $245,782 to $248,547 plus interest at .160 percent through August 1, 2030, redeemable prior to maturity for bonds maturing after 2020. Loan is completely drawn-down.	$ 1,977,294
Sewage Works SRF Revenue Bonds of 2011 Series B - maximum draw of $33,576,000 - due in annual installments of $1,730,000 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.	17,072,000
Sewage Works SRF Revenue Bonds of 2012 Series A - maximum draw of $10,415,000 - due in annual installments of $522,000 to $612,000 plus interest at 1.780 percent through August 1, 2032, redeemable prior to maturity for bonds maturing after 2024. Loan is completely drawn-down.	5,658,000

Sewage Works SRF Revenue Bonds of 2014 Series A - maximum draw of $17,000,000 - due in annual installments of $867,000 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.	10,743,000
Sewage Works SRF Revenue Bonds of 2016 Series A - maximum draw of $108,000,000 - due in annual installments of $3,050,000 to $6,075,000 plus interest at 2.000 percent through February 1, 2039, redeemable prior to maturity for bonds maturing after 2028. Loan is completely drawn-down.	86,850,000
Sewage Works SRF Revenue Bonds of 2018 Series B - maximum draw of $21,722,416 - due in annual installments of $883,500 to $1,398,800 plus interest at 2.860 percent through August 1, 2039, redeemable prior to maturity for bonds maturing after 2029. Loan is completely drawn-down.	19,058,700
Sewage Works SRF Revenue Bonds of 2022 IFA - maximum draw of $5,555,000 - due in annual installments of $178,000 at zero percent interest through August 1, 2053, redeemable prior to maturity for bonds maturing after 2032. Loan is completely drawn-down.	5,518,000
SRF Advance loans:	
Sewage Works SRF Revenue Bonds of 2014 Series B - original pool share of $60,872,000 - due in annual installments of $2,012,000 to $6,160,000 plus interest at 3.074 percent through August 1, 2034, redeemable prior to maturity for bonds maturing after 2027.	55,812,000
Sewage Works SRF Revenue Bonds of 2014 Series C - original pool share of $5,015,000 - due in annual installments of $245,000 to $350,000 plus interest at 3.074 percent through August 1, 2034, redeemable prior to maturity for bonds maturing after 2027.	3,510,000
Sewage Works SRF Revenue Bonds of 2016 Series B - original pool share of $138,583,000 - due in annual installments of $3,623,888 to $7,325,433 plus interest at 3.060 percent through August 1, 2046, redeemable prior to maturity for bonds maturing after 2028.	126,379,458
Sewage Works SRF Revenue Bonds of 2020 Series A - original pool share of $25,000,000 - due in annual installments of $1,035,000 to $1,455,000 plus interest at 2.000 percent through August 1, 2040, redeemable prior to maturity for bonds maturing after 2028.	22,205,000
Sewage Works SRF Revenue Bonds of 2020 Series C - original pool share of $25,000,000 - due in annual installments of $1,003,000 to $1,449,000 plus interest at 2.000 percent through August 1, 2041, redeemable prior to maturity for bonds maturing after 2028.	23,028,000
Sewage Works SRF Revenue Bonds of 2021 - original issue of $140,000,000 - due in annual installments of $2,374,919 to $14,477,364 plus interest at 2.220 percent through August 1, 2042, redeemable prior to maturity for bonds maturing after 2031.	139,950,000

Commercial loans:

2017 Commercial Loan - original amount of $963,279 - due in semiannual installments of $74,355 including interest at 2.103 percent through April 6, 2024.	218,454
2018 Commercial Loan - original amount of $591,063 - due in semiannual installments of $47,442 including interest at 3.202 percent through April 4, 2025.	226,268
2019 Commercial Loan - original amount of $1,266,918 - due in semiannual installments of $100,055 including interest at 2.730 percent through April 4, 2026.	663,571
2020 Commercial Loan - original amount of $1,490,378 - due in semiannual installments of $111,573 including interest at 1.263 percent through April 5, 2027.	973,132
2021 Commercial Loan - original amount of $1,266,117 - due in semiannual installments of $95,187 including interest at 1.380 percent through April 4, 2028.	1,004,971
2022 Commercial Loan - original amount of $963,925 - due in semiannual installments of $74,736 including interest at 2.229 percent through April 25, 2029.	899,916
Total	521,747,764
Less: Current portion	(21,078,305)
Noncurrent loans payable	$ 500,669,459

Wastewater Utility anticipated loan debt service requirements to maturity, after all remaining loan principal has been drawn down, as of December 31, 2022 are as follows:

Year Due	Principal	Interest	Total
2023	$ 21,078,305	$ 12,803,163	$ 33,881,468
2024	21,467,883	12,296,929	33,764,812
2025	21,817,042	11,781,445	33,598,487
2026	23,522,214	11,257,291	34,779,505
2027	24,539,017	10,683,818	35,222,835
2028-2032	134,344,202	43,996,878	178,341,080
2033-2037	129,851,608	26,632,586	156,484,194
2038-2042	115,154,940	11,634,344	126,789,284
2043-2047	28,904,553	1,962,847	30,867,400
2048-2052	890,000	—	890,000
2053	178,000	—	178,000
Total	$ 521,747,764	$ 143,049,301	$ 664,797,065

Details of all Stormwater Utility loans payable at December 31, 2022 are as follows:

<u>Commercial loans:</u>	
2017 Commercial Loan - original amount of $314,094 - due in semiannual installments of $24,245 including interest at 2.103 percent through April 6, 2024.	71,231
2018 Commercial Loan - original amount of $194,349 - due in semiannual installments of $15,599 including interest at 3.202 percent through April 4, 2025.	74,329
2019 Commercial Loan - original amount of $706,647 - due in semiannual installments of $55,811 including interest at 2.730 percent through April 4, 2026.	370,291
2020 Commercial Loan - original amount of $561,074 - due in semiannual installments of $42,004 including interest at 1.263 percent through April 5, 2027.	366,458
2021 Commercial Loan - original amount of $356,874 - due in semiannual installments of $26,829 including interest at 1.380 percent through April 4, 2028.	283,266
2022 Commercial Loan - original amount of $501,800 - due in semiannual installments of $38,906 including interest at 2.229 percent through April 25, 2029.	468,237
Total	1,633,812
Less: Current portion	(375,740)
Noncurrent loans payable	$ 1,258,072

Stormwater Utility anticipated loan debt service requirements to maturity, after all remaining loan principal has been drawn down, as of December 31, 2022 are as follows:

Year Due	Principal	Interest	Total
2023	$ 375,740	$ 31,048	$ 406,788
2024	359,474	23,069	382,543
2025	327,025	15,674	342,699
2026	262,251	9,038	271,289
2027	168,525	4,949	173,474
2028-2032	140,797	2,750	143,547
Total	$ 1,633,812	$ 86,528	$ 1,720,340

On July 8, 2022, the Wastewater Utility issued $5,555,000 of taxable revenue bonds through Indiana State Revolving Fund Loan Program, at zero interest, to refund the outstanding Allen County Regional Water Sewer District (ACRWSD) debt as of July 8, 2022, the date FWCU assumed operational responsibilities for ACRWSD customers (see Note 20). The proceeds of the bonds, together with a combination of existing Wastewater Utility and ACRWSD funds, were used to refund $12,033,000 principal and $4,715 accrued interest of ACRWSD outstanding debt.

Changes in Long-Term Liabilities:

The following is a summary of long-term obligations for FWCU for the year ended December 31, 2022:

Water Utility

	Balance, 1/1/2022	Additions	Deductions	Balance, 12/31/2022	Current Portion
Bonds and loans					
Revenue bonds payable, net	$ 98,897,481	$ —	$ 6,378,331	$ 92,519,150	$ 6,450,000
Loans payable	90,292,260	1,168,947	3,025,195	88,436,012	4,946,384
Total bonds and loans	189,189,741	1,168,947	9,403,526	180,955,162	11,396,384
Other noncurrent liabilities					
Accrued compensated absences	952,201	845,529	984,680	813,050	682,336
Net pension liability (see Note 15)	1,776,054	3,413,827	888,751	4,301,130	—
Total OPEB liability (see Note 16)	5,487,670	—	741,400	4,746,270	341,113
Total other noncurrent liabilities	8,215,925	4,259,356	2,614,831	9,860,450	1,023,449
Total long-term liabilities	$ 197,405,666	$ 5,428,303	$ 12,018,357	$ 190,815,612	$ 12,419,833

Wastewater Utility

	Balance, 1/1/2022	Additions	Deductions	Balance, 12/31/2022	Current Portion
Bonds and loans					
Revenue bonds payable, net	$ 156,157,683	$ 25,269,786	$ 18,783,559	$ 162,643,910	$ 17,025,000
Loans payable	531,261,314	18,567,736	28,081,286	521,747,764	21,078,305
Total bonds and loans	687,418,997	43,837,522	46,864,845	684,391,674	38,103,305
Other noncurrent liabilities					
Accrued compensated absences	982,551	1,080,434	1,065,493	997,492	814,457
Net pension liability (see Note 15)	2,016,226	5,654,277	1,472,027	6,198,476	—
Total OPEB liability (see Note 16)	8,215,438	—	1,227,972	6,987,466	564,981
Total other noncurrent liabilities	11,214,215	6,734,711	3,765,492	14,183,434	1,379,438
Total long-term liabilities	$ 698,633,212	$ 50,572,233	$ 50,630,337	$ 698,575,108	$ 39,482,743

Stormwater Utility

	Balance, 1/1/2022	Additions	Deductions	Balance, 12/31/2022	Current Portion
Bonds and loans					
Revenue bonds payable, net	$ 21,045,898	$ —	$ 1,604,520	$ 19,441,378	$ 1,605,000
Loans payable	1,465,394	503,720	335,302	1,633,812	375,740
Total bonds and loans	22,511,292	503,720	1,939,822	21,075,190	1,980,740
Other noncurrent liabilities					
Accrued compensated absences	150,953	253,364	231,104	173,213	163,379
Net pension liability (see Note 15)	1,660,856	960,766	250,124	2,371,498	—
Total OPEB liability (see Note 16)	2,974,620	—	208,656	2,765,964	96,000
Total other noncurrent liabilities	4,786,429	1,214,130	689,884	5,310,675	259,379
Total long-term liabilities	$ 27,297,721	$ 1,717,850	$ 2,629,706	$ 26,385,865	$ 2,240,119

Yard Waste Utility

	Balance, 1/1/2022	Additions	Deductions	Balance, 12/31/2022	Current Portion
Bonds and loans					
Loans payable	240	—	240	—	—
Other noncurrent liabilities					
Accrued compensated absences	1,734	2,831	2,015	2,550	2,232
Total other noncurrent liabilities	1,734	2,831	2,015	2,550	2,232
Total long-term liabilities	$ 1,974	$ 2,831	$ 2,255	$ 2,550	$ 2,232

Total FWCU

	Balance, 1/1/2022	Additions	Deductions	Balance, 12/31/2022	Current Portion
Bonds and loans					
Revenue bonds payable, net	$ 276,101,062	$ 25,269,786	$ 26,766,410	$ 274,604,438	$ 25,080,000
Loans payable	623,019,208	20,240,403	31,442,023	611,817,588	26,400,429
Total bonds and loans	899,120,270	45,510,189	58,208,433	886,422,026	51,480,429
Other noncurrent liabilities					
Accrued compensated absences	2,087,439	2,182,158	2,283,292	1,986,305	1,662,404
Net pension liability (see Note 15)	5,453,136	10,028,870	2,610,902	12,871,104	—
Total OPEB liability (see Note 16)	16,677,728	—	2,178,028	14,499,700	1,002,094
Total other noncurrent liabilities	24,218,303	12,211,028	7,072,222	29,357,109	2,664,498
Total long-term liabilities	$ 923,338,573	$ 57,721,217	$ 65,280,655	$ 915,779,135	$ 54,144,927

Note 11. Related Party Transactions

During the course of operations, numerous transactions occurred between FWCU and various departments of the City of Fort Wayne (the City) for goods and services rendered. In 2022, FWCU received from the City $678,313 for water, $625,435 for sewer and $120,661 for stormwater services.

The City received the following from FWCU in 2022:

	Water Utility	Wastewater Utility	Stormwater Utility	Yard Waste Utility	Total
Self insurance	$ 3,172,687	$ 3,080,074	$ 650,005	$ 5,519	$ 6,908,285
Garage services	693,720	707,066	179,988	298	1,581,072
Overhead charges	737,463	1,139,809	187,609	6,064	2,070,945
Office and technical services	150,063	32,283	7,137	75	189,558
Transfers out in lieu of taxes	3,495,564	5,820,456	952,956	—	10,268,976
Total	$ 8,249,497	$ 10,779,688	$ 1,977,695	$ 11,956	$ 21,018,836

Note 12. Interfund Assets and Liabilities

As of December 31, 2022, amounts due from/to other funds of the City resulting from various interfund transactions were as follows:

Due from City:

	Payable Fund					
Receivable Fund	General	Self Insurance	Garage	Solid Waste	Summit Dev. Corp.	Total
Water	$ 121,942	$ 1,801	$ 2,371	$ 6,418	$ 79,865	$ 212,397
Wastewater	177,918	1,131	2,512	10,630	132,280	324,471
Stormwater	50,317	117	186	1,750	21,773	74,143
Yard Waste	933	1	1	57	704	1,696
Total	$ 351,110	$ 3,050	$ 5,070	$ 18,855	$ 234,622	$ 612,707

Due to City:

	Payable Fund				
Receivable Fund	Water	Wastewater	Stormwater	Yard Waste	Total
General	$ 2,090,838	$ 3,349,194	$ 518,827	$ 1,169	$ 5,960,028
Highways and Streets	3,861	—	151,490	—	155,351
Parks	7,063	—	—	—	7,063
Self Insurance	260,817	254,375	53,719	455	569,366
Garage	57,174	56,738	13,883	13	127,808
Solid Waste	319,757	529,609	87,172	2,817	939,355
Barrett Law	4,395	7,279	1,198	38	12,910
Parking	1,467	2,431	534	12	4,444
Total	$ 2,745,372	$ 4,199,626	$ 826,823	$ 4,504	$ 7,776,325

Note 13. Interfund Capital Asset Transfers

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

Note 14. Risk Management

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

Note 15. Pension Plan - Public Employee's Retirement Fund

Plan Description:

FWCU contributes to Indiana's Public Employees' Retirement Fund (PERF), a cost-sharing multiple-employer defined benefit pension plan. PERF provides retirement, disability, and survivor benefits to plan members and beneficiaries. All regular full-time employees who are not covered by another plan are eligible to participate. State statutes (Indiana Code 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system and give FWCU the authority to contribute to the plan. The Public Employees' Defined Benefit Plan (PERF Hybrid Plan) consists of two components: a monthly, employer-funded defined benefit component and a member-funded defined contribution (DC) account. The DC account consists of member's contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Benefits Provided:

The PERF Hybrid Plan consists of the sum of a defined pension benefit provided by contributions plus the amount credited to the member's DC account. Pension benefits vest after 10 years of creditable service. Members are immediately vested in their DC account. At retirement, a member may choose to receive a lump sum payment of the amount credited to the member's DC account, receive the amount as an annuity, or leave the contributions invested with INPRS.

A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement and is entitled to 100 percent of the pension benefit component. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position.

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

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

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

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

Contributions:

The contribution requirements of the plan members and FWCU are established and may be amended by the INPRS Board of Trustees. The required contributions are based on actuarial investigations and valuation in accordance with IC 5-10.2. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. A contribution of 3.0 percent of covered payroll is required into the defined contribution account. FWCU elected to make this contribution on behalf of their members in 2022. For 2022, FWCU is required to contribute at an actuarially determined rate of 11.2 percent of annual covered payroll. FWCU contribution to the plan for the year ending December 31, 2022 was $2,612,142 and equaled the required contribution for the year.

Actuarial Assumptions:

The actuarial assumptions used in the June 30, 2022 valuation of the Public Employee's Pension Fund were adopted by the INPRS Board in April 2022. The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.00%
Salary increases	2.65% to 8.65%
Cost-of-living increases	0.4% to 0.6%

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

There were no changes in economic assumptions since the prior year's adoption of a new set of economic assumptions from the Asset-Liability work completed in May 2021. The discount rate remained unchanged at 6.25 percent from prior year, the inflation rate remained unchanged at 2.0 percent from prior year, and the salary increases remained unchanged from prior year at the range of 2.65 percent to 8.65 percent for 2022. Plan members were granted a 1.0 percent cost-of-living adjustment effective January 1, 2022 for the 2021-2023 biennium. It is important to note that this change in plan provision for COLA does not change the assumption for future years beginning in 2024. The demographic assumption based on the plan's 2015-2019 Experience Study, was used in the June 30, 2021 valuation report rolled forward one year to June 30, 2022. The Average Annual Compensation was increased by $200 for additional wages received upon termination, such as severance or unused sick leave, for active members. However, there were no changes in the benefit provisions, funding policy, or actuarial methods used in the prior year. The actuarial cost method used for computing the total pension liability is the Entry Age Normal - Level Percent of Payroll method.

The long-term return expectation for the INPRS defined benefit retirement plans has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. In order to determine the expected long-term nominal market rate of return, the asset class geometric real returns are projected for a 30-year time horizon. These returns are combined with a projected covariance matrix and the target asset allocations to create a range of expected long-term real market rates of return for the portfolio. A range of possible expected long-term rates of return is created by adding the forecasted inflation to the expected long-term real rates of return. This range, along with a reasonable alpha assumption from manager selection, ultimately supports the long-term expected rate of return assumption of 6.25 percent selected by the Board as the discount rate. The assumption is a long-term assumption and is not expected to change with small fluctuations in the underlying inputs, but may change with a fundamental shift in the underlying market factors or significant asset allocation change.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.

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

	Target Allocation (%)	Long Term Expected Real Rate of Return (%)
Public Equity	20.0	3.6
Private Equity	15.0	7.7
Fixed Income - Ex Inflation Linked	20.0	1.4
Fixed Income - Inflation Linked	15.0	(0.3)
Commodities	10.0	0.9
Real Estate	10.0	3.7
Absolute Return	5.0	2.1
Risk Parity	20.0	3.8
Cash and Cash Overlay	N/A	(1.7)
Total	115.0	

Discount Rate:

The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers would be, at a minimum, made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board. Projected inflows from investment earnings were calculated using the long term assumed investment rate of 6.25 percent. Based on those assumptions, the defined benefit pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for each plan.

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

The following represents the net pension liability of FWCU calculated using the discount rate of 6.25 percent, as well as what the respective net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.25 percent) or 1-percentage point higher (7.25 percent) than the current rate:

	1% Decrease (5.25%)	Current Rate (6.25%)	1% Increase (7.25%)
Proportionate share of the net pension liability	$ 21,744,006	$ 12,871,104	$ 5,470,458

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

As of December 31, 2022, FWCU reported a liability of $12,871,104 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022, the FWCU proportion was 0.0040811, which was a decrease of 0.0000631 from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, FWCU recognized pension expense of $1,722,128, based on an actuarial valuation as of June 30, 2022. At December 31, 2022, 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	$ 277,547	$ 48,951
Net difference between projected and actual investment earnings on pension plan investments	1,588,431	—
Changes of assumptions	1,743,327	550,669
Changes in proportion and differences between employer contributions and proportionate share of contributions	241,281	165,946
Employer contributions subsequent to the measurement date	1,312,151	—
Total	$ 5,162,737	$ 765,566

At December 31, 2022, FWCU reported $1,312,151 as deferred outflows of resources related to pensions resulting from FWCU contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	
2023	$ 605,674
2024	1,075,321
2025	(276,226)
2026	1,680,251
2027	—
Thereafter	—
Total	$ 3,085,020

Pension Plan Fiduciary Net Position:

The pension plan's fiduciary net position has been determined on the same basis of accounting used by the pension plan. Detailed information about the pension plan's fiduciary net position is available in the separately issued INPRS financial report, which is available online at https://www.in.gov/inprs or may be obtained by contacting Indiana Public Retirement System, One North Capitol Avenue, Suite 001, Indianapolis, IN 46204, Ph. (844) 464-6777.

Benefit Payment Policies:

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

Valuation of Pension Plan Investments:

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

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

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

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

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

Note 16. Other Post-employment Benefits

Plan Description:

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

Benefits Provided:

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

Employees Covered by Benefit Terms:

The following members were covered by the terms of the plan as of December 31, 2022 using the latest employee census data. The plan's last valuation date was December 31, 2022.

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

Benefit payments:

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

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

FWCU pays the remainder of the costs. For the year ended December 31, 2022, the FWCU paid $900,997 to the plan.

Total OPEB Liability:

FWCU total OPEB liability of $14,499,700 was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date. The current portion of OPEB liability has been recognized and presented for the year ended December 31, 2022 in the amount equal to $1,002,094.

Actuarial Methods and Assumptions:

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

Inflation rate	2.5%
Salary increases	2.5%
Discount rate	4.31%
Healthcare cost trend rates:	
Medical	9.0% first year, graded down to 5.0% over 11 years
Dental	4.0% per year

Mortality rates were based on the Pub-2010 Total Data Set Mortality Table projected forward using the MP-2021 generational future mortality improvement scale. This was a change from the prior measurement period using RP-2014 Total Dataset Mortality Table adjusted to 2008 based mortality 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 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 4.31 percent for 2022. A change from 1.93 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, 2021	$ 16,677,728
Changes for the year:	
Service cost	663,188
Interest cost	325,545
Difference between expected and actual experience	(116,252)
Changes in assumption	(2,149,512)
Benefit payments	(900,997)
Net Changes	(2,178,028)
Balance at December 31, 2022	$ 14,499,700

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

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

	1% Decrease (3.31%)	Current Discount Rate (4.31%)	1% Increase (5.31%)
Total OPEB Liability	$ 15,853,051	$ 14,499,700	$ 13,298,217

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

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

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	$ 13,257,069	$ 14,499,700	$ 15,965,299

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

For the year ended December 31, 2022, FWCU recognized the following OPEB expense:

Service cost	$ 663,188
Interest cost	325,545
Difference between expected and actual experience	(400,267)
Changes in assumptions	283,784
Total OPEB expense	$ 872,250

For the year ended December 31, 2022, 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	$ 427,811	$ 2,756,772
Changes in assumptions	2,762,443	1,940,822
Total	$ 3,190,254	$ 4,697,594

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,		
2023	$	(116,483)
2024		(116,483)
2025		(116,483)
2026		(116,483)
2027		(116,483)
Thereafter		(924,925)
Total	$	(1,507,340)

Note 17. 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, 2022 for each utility are as follows:

Water Utility	$ 8,251,486
Wastewater Utility	94,312,162
Stormwater Utility	1,715,410
	$ 104,279,058

Major contracts awarded subsequent to December 31, 2022:

Board of Works Award Date	Vendor	Major Contract Project Description	Amount
Water Utility			
02/21/2023	Midwest Trenchless Services, LLC	Glenwood Park Area WMR	$ 1,042,000
01/24/2023	Pinpoint Directional Drilling Inc.	Covington Dells Water Main Extension	365,588
01/10/2023	Midwest Trenchless Services, LLC	Flaugh Road Water Main Extension	904,200
01/24/2023	Shambaugh & Son, LP	FLP to WWPS Electrical Intertie FLP Site Construction	819,345
01/31/2023	Neptune Technology	Small Water Meters Purchase	207,905
01/31/2023	Nugent Inc.	Water Meter Purchase	206,285
01/31/2023	Ferguson Enterprises Inc.	Water Meter Purchase	219,556
			$ 3,764,879
Wastewater Utility			
01/24/2023	S&S Directional Boring, Ltd.	Rothman Siphon Additional Barrel	$ 1,335,265
01/31/2023	Bercot, Inc.	Steeplechase Lift Station Elimination	1,149,322
01/10/2023	R.G. Zachrich Construction, Inc.	Griswold Lift Station Improvements	414,800
01/31/2023	Neptune Technology	Small Water Meters Purchase	207,905
			$ 3,107,292

Note 18. Subsequent Events

On March 28, 2023, the Common Council approved FWCU to finance the purchase of various vehicles and equipment items for a not to exceed gross amount of $2,350,000 and authorized the acceptance of the Lessor, JPMorgan Chase Equipment Finance.

Note 19. Implementation of New Accounting Standard

In June 2017, the GASB issued Statement No. 87*, Leases*. The statement requires recognition of lease assets and liabilities for certain leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the lease contract. It establishes a single model for lease accounting based on the foundational principle that leases are the financing of the right-to-use an underlying asset. Under the statement, a lessee is required to recognize a lease liability and a tangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Effective January 1, 2022, FWCU implemented the provisions of GASB Statement No. 87. This amendment did not have an impact on beginning net position.

Note 20. Transfer of Operations

On May 24, 2022, FWCU entered into an agreement with Allen County Regional Water Sewer District (ACRWSD) for FWCU to receive the ACRWSD's sewer service assets and liabilities and assume operational responsibilities for the ACRWSD's sewer service customers. On July 8, 2022, ACRWSD transferred the assets and liabilities to FWCU. As a result of the transfer, FWCU recognized the following assets, liabilities, and net position:

	Carrying Values
Transferred Assets:	
Current assets:	
Cash and cash equivalents	$ 2,490,944
Customer receivables	288,891
Materials and supplies	181,091
Total current assets	2,960,926
Noncurrent assets:	
Assessments receivable	11,323
Capital assets:	
Land	92,199
Distribution and collection	9,418,927
Buildings and improvements	608,200
Equipment and other	1,139,300
Less: Accumulated depreciation	(2,799,113)
Net capital assets	8,459,513
Total noncurrent assets	8,470,836
Total transferred assets	$ 11,431,762
Transferred Liabilities:	
Current Liabilities:	
Other current liabilities	$ 1,614
Accrued interest payable	4,714
Total current liabilities	6,328
Noncurrent liabilities:	
Loans payable	12,033,000
Total transferred liabilities	$ 12,039,328
Net position of transferred ACRWSD operations	$ (607,566)

FORT WAYNE CITY UTILITIES
Required Supplementary Information (unaudited)
December 31, 2022

Schedule of Proportionate Share of the Net Pension Liability:

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.41 %	0.41 %	0.40 %	0.40 %	0.40 %	0.41 %	0.45 %	0.42 %	0.40 %
Proportionate share of the net pension liability	$12,871,104	$ 5,453,136	$12,145,911	$13,367,000	$13,621,132	$18,363,713	$20,490,169	$17,196,200	$10,437,633
Covered payroll	$23,487,287	$22,848,626	$21,709,554	$21,071,663	$20,459,753	$20,419,990	$21,637,668	$20,223,082	$19,391,743
Proportionate share of the net pension liability as a percentage of its covered payroll	54.80 %	23.87 %	55.95 %	63.44 %	66.58 %	89.93 %	94.70 %	85.03 %	53.83 %
Plan fiduciary net position as a percentage of the total pension liability	82.48 %	92.51 %	81.77 %	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:

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially required contribution	$ 2,612,142	$ 2,544,476	$ 2,442,892	$ 2,361,409	$ 2,297,316	$ 2,269,585	$ 2,647,487	$2,163,471	$ 2,196,819
Contributions in relation to the actuarially required contributions	2,612,142	2,544,476	2,442,892	2,361,409	2,297,316	2,269,585	2,647,487	2,163,471	2,196,819
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$23,322,693	$22,718,537	$21,811,536	$21,084,009	$20,511,750	$20,264,152	$23,638,268	$19,316,705	$19,614,455
Contributions as a percentage of covered payroll	11.2 %	11.2 %	11.2 %	11.2 %	11.2 %	11.2 %	11.2 %	11.2 %	11.2 %

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

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

FORT WAYNE CITY UTILITIES
Required Supplementary Information (unaudited)
December 31, 2022

Schedule of Changes in Total OPEB Liability:

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

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

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

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

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

For the Public Employees Retirement Fund, in 2022, there was no change from the use of the Pub-2010 Public Retirement Plans Mortality Tables with a fully generational projection of mortality improvements using SOA Scale MP-2019. Specific mortality variants and adjustments are used for different subpopulations.

There were no changes in economic assumptions in 2022 from the prior year. The discount rate of 6.25 remained unchanged, the inflation rate of 2.0 percent remained unchanged, and the salary increases remained unchanged from prior year at the range of 2.65 percent to 8.65 percent for 2022. The cost-of-living assumption of 0.4 percent for fiscal years 2022 and 2023 has been replaced by a 1.0 percent cost-of-living adjustment effective January 1, 2022.

Note 2. Financial Reporting - OPEB - Changes in Assumptions

For the year ended December 31, 2022, the discount rate changed from 1.93% at the beginning of the measurement period to 4.31% at the end of the measurement period. For the year ended December 31, 2021, the discount rate of 1.93% remained the same as the prior year. For the year ended December 31, 2020, the discount rate changed from 3.26% at the beginning of the measurement period to 1.93% at the end of the measurement period. For the year ended December 31, 2019, the discount rate changed from 3.50% at the beginning of the measurement period to 3.26% at the end of the measurement period.