City of Fort Wayne Utilities

A Division of the City of Fort Wayne, Indiana

CITY UTILITIES

WATER THAT WORKS

Financial Statements

December 31, 2017

CITY OF FORT WAYNE UTILITIES

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AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the City of Fort Wayne Utilities (Utilities), departments of the City of Fort Wayne (City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Utilities' basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Utilities, as of December 31, 2017, and the respective changes in financial position and cash flows thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Emphasis of Matter

As discussed in Note 1, the financial statements of the Utilities are intended to present the financial position, the changes in financial position and cash flows of only that portion of the business-type activities 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, 2017, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

June 14, 2018

Management's Discussion and Analysis

Introduction

As management of the City of Fort Wayne Utilities (Utilities), we offer readers of the Utilities' financial statements, this narrative overview and analysis of the financial activities of the Utilities for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the basic financial statements and the notes to the basic financial statements.

Financial Highlights

- The assets and deferred outflow of resources of the Utilities exceeded its liabilities and deferred inflow of resources (net position) as of December 31, 2017 and 2016 by $602.5 million and $572.5 million, respectively.

- The Utilities' net position increased for the years ended December 31, 2017 and 2016 by $30.0 million and $34.1 million, respectively.

- The Utilities added new bonded debt, long-term loans payable and capital lease payable for years ended December 31, 2017 and 2016 of $66.6 million and $184.2 million, respectively. The 2017 increase in debt consists of two new Wastewater Revenue Bonds, additional withdrawals against existing SRF loans, a new Stormwater Revenue Bond and new capital lease payable for all Utilities. The 2016 increase in debt consists of two new Wastewater State Revolving Fund ("SRF") loans and additional withdrawals against existing SRF loans.

  In 2017 in the Sewer utility issued two refunding Sewage Works Revenue bonds were issued with a interest rate of 2.53% on both bonds to retire the 2010 Sewage Works Revenue bond with an interest rate ranging from 4.25% to 4.50%. The Utility had an economic gain of $1,849,198 with this refunding.

  Also in 2017 the Stormwater utility issued a new bond. This bond was for new capital spending and refunded the 2006 Stormwater Revenue bond. The refunding bond at rates ranging from 2.00% to 3.00% issued to retire the 2006 Stormwater Revenue bond with interest rates of 4.00%. The Utility had an economic gain of $266,836 with this refunding.

  In 2016 refunding bonds were issued at rates ranging from 1.50% to 4.00% to retire the 2005 SRF bond with interest rates of 3.10% and the 2007 Revenue bond with interest rates ranging from 4.50% to 4.75%. The Utility had an economic gain of $3,612,129 with this refunding.

- The Utilities' net investment in capital assets for the years ended December 31, 2017 and 2016 decreased approximately $42.3 million in 2017 and increased approximately $17.6 million in 2016. Significantly, the Utilities continue to meet all capital investment milestones required by the 2008 Federal Consent Decree.

Overview of the Financial Statements

This discussion and analysis is an introduction to the Utilities' basic financial statements. The Utilities are governmental entities classified as enterprise funds, subsets of proprietary funds. When an entity charges a fee to cover the entire cost of its operation, these services are classified as a proprietary fund. And more specifically, when an entity is self-supported completely by providing services to outside customers, it is an enterprise fund. An enterprise fund's financial statements are comprised of three statements and the accompanying notes to these statements. The three statements are: 1) statement of net 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 Utilities' financial statements. The notes can be found on pages 15-40 of this report.

The Utilities provide water, wastewater, stormwater, and yard waste services. The Utilities' 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.

City of Fort Wayne Utilities
Condensed Statement of Net Position

	($millions) December 31		Variance 2016-2017	
	2017	2016	$millions	%
Net capital assets	$ 1,003.6	$ 949.0	$ 54.6	5.8 %
Other assets	267.6	292.1	(24.5)	(8.4)%
Total assets	**$ 1,271.2**	**$ 1,241.1**	**$ 30.1**	**2.4 %**
Deferred Outflows of Resources	**$ 7.9**	**$ 9.2**	**$ (1.3)**	**(14.1)%**
Current liabilities	$ 60.5	$ 54.4	$ 6.1	11.2 %
Long term liabilities	614.0	621.9	(7.9)	(1.3)%
Total liabilities	**$ 674.5**	**$ 676.3**	**$ (1.8)**	**(0.3)%**
Deferred Inflows of Resources	**$ 2.1**	**$ 1.5**	**$ 0.6**	**40.0 %**
Total net position	**$ 602.5**	**$ 572.5**	**$ 30.0**	**5.2 %**
Net investment in capital assets	$ 449.9	$ 492.2	$ (42.3)	(8.6)%
Restricted	77.1	69.2	7.9	11.4 %
Unrestricted	75.5	11.1	64.4	580.2 %
Total net position	**$ 602.5**	**$ 572.5**	**$ 30.0**	**5.2 %**

City of Fort Wayne Utilities
Condensed Statement of Revenues, Expenses and Changes in Net Position

	($millions) Year Ended December 31		Variance 2016-2017	
	2017	2016	$millions	%
Operating revenues:				
Water service revenues	$ 48.1	$ 49.6	$ (1.5)	-3.0%
Wastewater services revenues	71.5	68.5	3.0	4.4%
Stormwater service revenues	10.8	10.2	0.6	5.9%
Electric revenues	0.0	0.0	0.0	0.0%
Yard Waste revenues	0.2	0.2	0.0	0.0%
Total operating revenues	**130.6**	**128.5**	**2.1**	1.6%
Operating expenses:				
Water operations	36.0	36.0	0.0	0.0%
Wastewater operations	41.8	38.2	3.6	9.4%
Stormwater operations	7.8	8.7	(0.9)	-10.3%
Electric operations	0.0	0.0	0.0	0.0%
Yard Waste operations	0.3	0.4	(0.1)	-25.0%
Total operating expenses	**85.9**	**83.3**	**2.6**	**3.1%**
Operating Income	**44.7**	**45.2**	**(0.5)**	**-1.1%**
Net nonoperating revenues (expenses)	(11.9)	(12.1)	0.2	-1.7%
Income before capital contributions and transfers out	**32.8**	**33.1**	**(0.3)**	**-0.9%**
Capital contributions	5.8	10.0	(4.2)	-42.0%
Net transfers out	(8.6)	(9.0)	0.4	-4.4%
Change in net position	**30.0**	**34.1**	**(4.1)**	**-12.0%**
Net position - January 1st	572.5	538.4	34.1	6.3%
Net position - December 31st	**$ 602.5**	**$ 572.5**	**$ 30.0**	**5.2%**

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a governmental unit's financial health. In the case of the Utilities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $602.5 millions and $572.5 millions as of December 31, 2017 and 2016, respectively. The largest portion (74.7%) of the Utilities' net position in 2017 reflects its net investment in capital assets (land, buildings, machinery, equipment and distribution and collection infrastructure), less any related debt used to acquire those assets that is still outstanding.

Another significant portion of the Utilities' net position ($77.1 million, or 12.8%) represents resources that are subject to external restrictions on how they may be used.

The Utilities' net position increased $30.0 million and $34.1 million for the years ended December 31, 2017 and 2016, respectively.

Capital Assets and Capital Improvement Program

The Utilities' total capital assets in service are $1,431.7 million with an accumulated depreciation of $428.1 million for a net book value of $1,003.6 million. The statement of net position also includes $82.1 million in construction in progress reflecting capital projects in various stages of completion. During 2017, approximately $83.7 million was invested in capital projects (see Note 5).

Debt

At December 31, 2017, the Utilities had approximately $628.7 millions in bonds, loans and leases payable, an decrease of $1.0 million over last year.

The 2017 decrease of $1.0 million in debt consists of the following:

- Wastewater refunding revenue bond for total of $33.4 million over 13 years at 2.53%. This bond refunded the 2010 Wastewater Revenue bond (see note 8).
- Stormwater revenue bond for $27.3 million over 16 years at rates ranging from 2.00% to 3.00%. This bond also refunded the 2006 Stormwater Revenue bond (see note 8).
- $3.8 million withdraws against existing SRF loans.
- Capital lease of $1.7 million in 2017 (see note 8).

The Utilities paid principal of $35.3 million and $24.5 million in 2017 and 2016, respectively.

Economic Factors and Next Year's Budget and Rates

- On December 28, 2007, the Utilities agreed to a Long-Term Control Plan (LTCP), in the form of a federal Consent Decree, which will ultimately bring the Utilities' combined storm and sanitary sewer system into compliance with the federal Clean Water Act. The Consent Decree became effective April 1, 2008. The Utilities committed to combined sewer overflow reductions that require an 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 $305 million (denominated in 2005 dollars).The Utilities also agreed to:

    - Eliminate three sanitary sewer overflows at an original estimated cost of $31.0 million (denominated in 2005 dollars). Since 2008, work in two of the overflow areas has been completed. The total cost of all this work is currently projected to be approximately $12 million (denominated in 2005 dollars).
    - Maintain the entire storm and sewer systems to performance standards prescribed in the LTCP.
    - Mitigate assessed penalties with local investments in septic tank elimination subsidies and rain garden stipends.

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

Consistent with the long term nature of the Consent Decree, Fort Wayne City Council (Council) approved a second five-year rate plan that generally increased wastewater unit rates by approximately 9% effective January 1, 2015 and again on Jan 1, 2016-2019 of each year by 8.5%, 8%, 8% and 8%, respectively. The Utility is currently developing its next five-year rate plan. The Utility believes these five-year plans provide predictability to customers, as well as the bond markets.

In 2014, Council also authorized the issuance of another wave of bond financing; up to $257 million in debt to fund the 2016-2019 capital plan that will accomplish a significant portion of the infrastructure investment required to fulfill the requirements of the Consent Decree. In 2016, Council authorized an amendment that increased the amount an additional $55 million in debt to fund the 2016-2019 capital plan and added additional projects. The Utilities' bonds associated with aforementioned Council authorization have been issued.

The Utilities are in full compliance with the terms and conditions of the Consent Decree. Significantly, the Utilities have 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. The Utilities also constructed a CSO pond bleedback process that fully treats over 1 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.

Each of Fort Wayne’s three rivers have their own control limits and compliance deadlines for reductions in combined sewer overflows per the Consent Decree. The improvements for reducing the combined sewer overflows along the St. Joseph river were completed in 2015 and the St. Joseph is now considered to be in compliance with the Consent Decree.

The single largest project associated with satisfying the requirements of the Consent Decree is a large underground tunnel that starts near Rudisill Blvd. and swings north along the St Marys river, past the convergence of the three rivers and then follows along the Maumee river to the Wastewater Plant. The tunnel will be approximately 5 miles long, drilled through rock over 200 feet below ground and be approximately 16 feet in diameter. The cost for the tunnel is estimated at $220 million and the estimated completion date is planned for 2022. Upon completion of the tunnel, additional sewers will be extended off the tunnel drop shafts to connect the existing combined sewer outfalls to the tunnel. All work must be completed by no later than 2025. Lining wastewater pipelines significantly extends the life of the pipeline, improves overall system flow and reduces reactive maintenance. Since 2008, the Utilities have invested $37 million to line approximately 166 miles of pipe. The annual pipe enhancement rate since 2008 is 1.4% which exceeds our annual goal of 1.0% per year.

- On March 28, 2017, Common Council approved the change in stormwater rates that will be introduced in three phases and differentiates between residential and non-residential, said phases becoming effective on July 1 of 2017, 2018, and 2019. The rates adjustments will fund drainage improvement projects, as well as the protection of public health and safety through ongoing operation and maintenance of the Utilities' stormwater management system. In June of 2017, the Stormwater Utility issued $27.3 million in revenue bonds to support these projects, which included the refunding of the $6.8 million balance of the 2006 Stormwater Utility Revenue Bonds.

- On December 22, 2017, through private placement, the Sanitary Sewer Utility closed on an advanced refunding of its 2010 Sewage Works Revenue Bonds, resulting in a net effective interest rate of 2.53%; and, net savings of approximately $2.23 million.

- The Water Utility is currently reviewing its rates and chargers and anticipates submitting a rate proposal in mid-2018.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Utilities' finances and to show accountability for the money 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 - City Utilities, City of Fort Wayne Utilities, 200 E Berry Street, Suite 270, Fort Wayne, IN 46802.

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CITY OF FORT WAYNE UTILITIES

Statement of Net Position

At December 31, 2017

	Water	Wastewater	Stormwater	Electric	Yard Waste	Total 2017
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ 9,409,483	$ 11,637,389	$ 2,097,197	$ —	$ 292,730	$ 23,436,799
Receivables:						
Customers, net of allow. for doubtful accounts of $81,210	5,963,071	8,680,921	1,469,857	—	23,974	16,137,823
Interest	4,283	190,136	—	—	—	194,419
Due from City of Fort Wayne	477,715	3,247	401,176	—	8	882,146
Materials and supplies	1,427,535	65,262	—	—	—	1,492,797
Prepaid expenses	92,325	97,132	1,889	—	11	191,357
Total current assets	17,374,412	20,674,087	3,970,119	—	316,723	42,335,341
NONCURRENT ASSETS:						
Restricted cash and cash equivalents	7,876,619	95,925,706	21,140,236	—	51	124,942,612
Restricted investments	7,600,404	87,564,131	—	—	—	95,164,535
Regulatory assets	2,389,980	1,746,323	376,549	—	—	4,512,852
Assessments receivable	—	602,459	—	—	—	602,459
Capital assets:						
Land	5,878,231	3,811,315	6,085,111	75,732	—	15,850,389
Distribution and collection	249,013,821	367,967,700	155,247,267	—	—	772,228,788
Buildings and improvements	85,757,803	177,241,761	2,909,958	1,121,198	68,777	267,099,497
Equipment and other	125,819,383	162,199,505	5,994,098	342,787	56,153	294,411,926
Less: Accumulated depreciation	(176,588,808)	(203,298,464)	(46,604,562)	(1,448,582)	(115,919)	(428,056,335)
Plus: Construction in progress	3,593,997	75,063,943	3,415,900	—	1,718	82,075,558
Net capital assets	293,474,427	582,985,760	127,047,772	91,135	10,729	1,003,609,823
Total noncurrent assets	311,341,430	768,824,379	148,564,557	91,135	10,780	1,228,832,281
Total assets	$ 328,715,842	$ 789,498,466	$ 152,534,676	$ 91,135	$ 327,503	$ 1,271,167,622
DEFERRED OUTFLOWS OF RESOURCES:						
Debt Refunding Loss	$ —	$ 2,686,164	$ 45,509	$ —	$ —	$ 2,731,673
Outflows of Resources related to pensions	1,737,012	2,542,116	924,519	—	—	5,203,647
Total deferred outflows of resources	$ 1,737,012	$ 5,228,280	$ 970,028	$ —	$ —	$ 7,935,320
LIABILITIES						
CURRENT LIABILITIES:						
Accounts payable	$ 1,009,456	$ 8,433,643	$ 466,922	$ —	$ 196,650	$ 10,106,671
Wages and withholdings payable	297,896	279,921	73,313	—	618	651,748
Due to City of Fort Wayne	1,993,001	3,035,608	869,944	—	3,898	5,902,451
Compensated absences payable - current portion	629,252	610,517	174,458	—	1,418	1,415,645
Other current liabilities	443,110	671,832	25,000	—	—	1,139,942
Accrued interest payable	366,209	5,198,923	278,667	—	—	5,843,799
Bonds payable - current portion	4,030,000	14,215,000	1,550,000	—	—	19,795,000
Loans payable - current portion	3,759,000	9,940,770	—	—	—	13,699,770
Capital lease payable - current portion	58,603	130,478	42,547	—	7	231,635
Customer deposits	1,734,370	—	—	—	—	1,734,370
Total current liabilities	14,320,897	42,516,692	3,480,851	—	202,591	60,521,031
NONCURRENT LIABILITIES:						
Bonds payable, net of unamortized bond discount/premium	98,406,390	172,354,747	25,985,042	—	—	296,746,179
Loans payable	29,911,000	266,971,013	—	—	—	296,882,013
Capital lease payable	345,179	768,528	250,605	—	40	1,364,352
Compensated absences payable	326,783	278,123	36,893	—	484	642,283
Net pension liability	6,115,960	8,949,391	3,298,362	—	—	18,363,713
Total noncurrent liabilities	135,105,312	449,321,802	29,570,902	—	524	613,998,540
Total liabilities	$ 149,426,209	$ 491,838,494	$ 33,051,753	$ —	$ 203,115	$ 674,519,571
DEFERRED INFLOWS OF RESOURCES:	$ 683,522	$ 998,588	$ 368,268	$ —	$ —	$ 2,050,378
NET POSITION:						
Net investment in capital assets	$ 157,398,251	$ 175,143,681	$ 117,234,545	$ 91,135	$ 10,729	$ 449,878,341
Restricted						
For debt service	12,942,049	60,254,840	2,846,383	—	—	76,043,272
For capital projects	—	1,121,737	—	—	—	1,121,737
Unrestricted	10,002,823	65,369,406	3,755	—	113,659	75,489,643
Total net position	$ 180,343,123	$ 301,889,664	$ 120,084,683	$ 91,135	$ 124,388	$ 602,532,993

See accompanying notes to the financial statements.

CITY OF FORT WAYNE UTILITIES

Statement of Revenues, Expenses and
Changes in Net Position
For the Year Ended December 31, 2017

	Water	Wastewater	Stormwater	Electric	Yard Waste	Total 2017
OPERATING REVENUES:						
Charges for goods and services	$ 48,115,057	$ 71,457,052	$ 10,821,153	$ —	$ 213,622	$ 130,606,884
OPERATING EXPENSES:						
Personnel services	10,268,712	9,028,357	1,980,449	—	12	21,277,530
Contractual services	1,468,147	4,288,511	244,868	—	289,450	6,290,976
Utilities	1,690,861	1,856,846	—	—	—	3,547,707
Chemicals	2,596,758	721,152	—	—	—	3,317,910
Administrative services	4,632,074	6,773,185	2,546,941	—	41,983	13,994,183
Other supplies/services	4,350,365	3,736,139	551,003	—	4,768	8,642,275
Depreciation	10,958,310	15,415,026	2,449,677	662	3,730	28,827,405
Total operating expenses	35,965,227	41,819,216	7,772,938	662	339,943	85,897,986
Operating income (loss)	12,149,830	29,637,836	3,048,215	(662)	(126,321)	44,708,898
NONOPERATING REVENUES (EXPENSES):						
Investment income	149,367	1,689,292	26,403	—	—	1,865,062
Interest expense	(4,267,553)	(8,382,228)	(137,269)	—	—	(12,787,050)
Amortization of debt issuance costs	(276,505)	(224,393)	(30,387)	—	—	(531,285)
Gain/(Loss) on disposal of assets	(290,446)	(202,431)	1,072	—	—	(491,805)
Total nonoperating revenues (expenses)	(4,685,137)	(7,119,760)	(140,181)	—	—	(11,945,078)
Income (loss) before capital contributions and transfers	7,464,693	22,518,076	2,908,034	(662)	(126,321)	32,763,820
Capital contributions	2,219,678	3,212,078	331,039	—	—	5,762,795
Transfers in	—	—	11,334,706	—	—	11,334,706
Transfers out	(2,603,043)	(16,004,872)	(1,233,469)	—	—	(19,841,384)
Change in net position	7,081,328	9,725,282	13,340,310	(662)	(126,321)	30,019,937
Total net position-beginning of year	173,261,795	292,164,382	106,744,373	91,797	250,709	572,513,056
Total net position-end of year	$ 180,343,123	$ 301,889,664	$ 120,084,683	$ 91,135	$ 124,388	$ 602,532,993

See accompanying notes to the financial statements.

CITY OF FORT WAYNE UTILITIES
Statement of Cash Flows
For the Year Ended December 31, 2017

	Water	Wastewater	Stormwater	Electric	Yard Waste	Total 2017
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	$ 46,393,393	$ 70,671,214	$ 10,257,497	$ —	$ 190,430	$ 127,512,534
Payments to suppliers	(15,891,115)	(13,156,858)	(3,564,533)	—	(385,330)	(32,997,836)
Payments to employees	(10,289,618)	(9,031,023)	(1,985,175)	—	(12)	(21,305,828)
Other receipts (payments)	797,108	1,422,153	546,794	—	(2)	2,766,053
Net cash provided (used) by operating activities	21,009,768	49,905,486	5,254,583	—	(194,914)	75,974,923
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers out	(2,603,043)	(4,670,166)	(1,233,469)	—	—	(8,506,678)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(7,579,026)	(65,943,387)	(2,706,874)	—	(930)	(76,230,217)
Proceeds from long-term debt	432,627	38,140,132	28,046,545	—	51	66,619,355
Bond discount & premium addition	—	—	412,451	—	—	412,451
Purchase of debt refunding securities	—	(32,105,000)	—	—	—	(32,105,000)
Interest paid on long-term debt	(4,652,777)	(15,115,298)	(315,197)	—	(4)	(20,083,276)
Debt issuance costs	—	(196,500)	(398,184)	—	—	(594,684)
Principal paid on long-term debt	(7,566,846)	(20,197,421)	(7,493,393)	—	—	(35,257,660)
Proceeds from sales of assets	31,010	62,465	930	—	—	94,405
Contribution in aid of construction	431,534	—	70,000	—	—	501,534
Net cash provided (used) by capital and related financing activities	(18,903,478)	(95,355,009)	17,616,278	—	(883)	(96,643,092)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of investments	(15,142,199)	(141,696,556)	—	—	—	(156,838,755)
Sale of investments	15,041,795	68,132,425	—	—	—	83,174,220
Investment income received	147,406	1,509,578	26,403	—	—	1,683,387
Net cash provided (used) by investing activities	47,002	(72,054,553)	26,403	—	—	(71,981,148)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(449,751)	(122,174,242)	21,663,795	—	(195,797)	(101,155,995)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	17,735,853	229,737,337	1,573,638	—	488,578	249,535,406
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 17,286,102	$ 107,563,095	$ 23,237,433	$ —	$ 292,781	$ 148,379,411
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating income (loss)	$ 12,149,830	$ 29,637,836	$ 3,048,215	$ (662)	$ (126,321)	$ 44,708,898
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	10,958,310	15,415,026	2,449,677	662	3,730	28,827,405
Provision for doubtful accounts	10,596	1,601	9,130	—	—	21,327
Changes in assets and liabilities:						
Receivables	(1,721,664)	(785,838)	(563,656)	—	(23,192)	(3,094,350)
Other assets	786,512	1,420,552	537,664	—	(2)	2,744,726
Accounts payable and other liabilities	(1,173,816)	4,216,309	(226,447)	—	(49,129)	2,766,917
Net cash provided (used) by operating activities	$ 21,009,768	$ 49,905,486	$ 5,254,583	$ —	$ (194,914)	$ 75,974,923
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Capital assets acquired through accounts payable	$ 375,492	$ 6,407,289	$ 420,020	$ —	$ —	$ 7,202,801
Capital asset contribution	1,788,144	2,797,519	261,039	—	—	4,846,702
Interfund capital asset contribution	—	(11,334,706)	11,334,706	—	—	—
Capitalized interest added to capital assets	218,784	5,592,534	328,951	—	—	6,140,269

See accompanying notes to the financial statements.

(1) Nature of Operations and Significant Accounting Policies

Financial Reporting Entity

The City of Fort Wayne Utilities (the Utilities) are collectively, a division of the City of Fort Wayne, Indiana. The financial statements reflect only the activity of the Utilities and are not intended to present fairly the position of the City of Fort Wayne and the results of its operations and cash flows of its enterprise funds. The Utilities consist of Water, Wastewater, Stormwater, and Electric Utilities in addition to the Yard Waste Facility. All five areas are considered proprietary in nature. The Electric Utility generation and distribution systems were sold to a private firm in 2010.

Basis of Accounting and Financial Reporting

The Utilities prepare their financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America as applied to governmental units.

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

Cash Equivalents

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

Investments

Investments are stated at fair value, except for short-term (less than one year), highly liquid investments (i.e. Certificates of Deposit, U.S. Treasury Securities, etc.), which are reported at cost or amortized cost.

Restricted Assets/Net Position

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

Capital Assets

Property, plant and equipment are recorded at cost, which includes interest incurred during construction periods. Donated property, plant and equipment are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' useful lives are not capitalized. When an individual asset is retired, depreciation is calculated. The difference between the original cost and the calculated depreciation results in a recognized loss.

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

Estimated useful lives, in years, are as follows:

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

Net interest cost incurred on borrowed funds for the Water, Wastewater and Stormwater Utilities is capitalized as a component of the cost of construction. In 2017, net interest capitalized was $218,784 for the Water Utility, $5,592,534 for the Wastewater Utility and $328,951 for the Stormwater Utility.

Unbilled Utility Revenue

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

Materials and Supplies

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

Bond Issuance Costs, Discounts and Premiums

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

Compensated Absences

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

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

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

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

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

Classification of Revenue

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

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

- Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as contributions and other revenue sources that are defined as nonoperating revenues by GASB Statement 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting, and GASB Statement 34, such as investment income.

Deferred Outflows of Resources

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

The Wastewater utility has an item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the statement of net position (Debt refunding loss). A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The other item listed under deferred outflows of resources is related to pensions. See note 13 on pensions for further information.

Deferred Inflows of Resources

In additions to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement section element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and, therefore, will not be recognized as an inflow of resources (revenue) until then. At this time the only item that qualifies for reporting in this category is related to the deferred inflow related to pension. See note 13 on pensions for further information.

(2) Deposits and Investments

Deposits

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

Investments

Authorization for investment activity is stated in Indiana Code IC 5-13. The Utilities had the following investments at December 31, 2017.

	Water Utility	Wastewater Utility	Stormwater Utility	Electric Utility	Yard Waste Utility	Total
Investment Maturities less than one year						
Certificate of Deposit	$ 7,600,404	$ 87,564,131	$ —	$ —	$ —	$ 95,164,535

Investment Policies

Indiana Code 5-13-9 authorizes the Utilities to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the Utilities to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than 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%) of the funds held by the Utilities and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States, obligations issued by a federal agency, a federal instrumentality, a federal government sponsored enterprise; or repurchase agreements fully collateralized by direct obligations of the United States or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of or interest in an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc. or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one (1) day.

(3) Restricted Assets

Restricted assets consisted of the following at December 31, 2017:

	Water Utility	Wastewater Utility	Stormwater Utility	Electric Utility	Yard Waste Utility	Total
Cash and cash equivalents:						
Sinking fund	$ 1,015,294	$ 14,792,788	$ 924,500	$ —	$ —	$ 16,732,582
Debt service reserve	4,692,561	18,222,143	2,200,550	—	—	25,115,254
Construction	434,394	61,789,038	18,015,186	—	51	80,238,669
Customer deposits	1,734,370	—	—	—	—	1,734,370
Connection fees	—	140,882	—	—	—	140,882
Septic elimination program	—	980,855	—	—	—	980,855
Total	$ 7,876,619	$ 95,925,706	$ 21,140,236	$ —	$ 51	$ 124,942,612
Investments:						
Debt service reserve	$ 7,600,404	$ 27,188,831	$ —	$ —	$ —	$ 34,789,235
Construction	—	60,375,300	—	—	—	60,375,300
Total	$ 7,600,404	$ 87,564,131	$ —	$ —	$ —	$ 95,164,535

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 the Utilities 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 10% of bond proceeds, the maximum annual principal and interest required thereon, or 125% of the average annual principal and interest requirements thereon. The 2016 Sewage Works Refunder bond requires that the debt service reserve for that particular bond be 10% of par value. The Utilities calculate 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 Utility 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 2017, the surety bond insurers failed to maintain their AAA/Aaa rating. While still insured, this failure to maintain AAA/Aaa ratings required the Utilities to cash fund the debt service reserve accounts for the affected revenue bonds. As of December 31, 2017, all surety bond insurance for Waterworks, Sewage Works and Stormwater Revenue Bonds have been replaced with cash funded debt service reserves as required by bond ordinance.

Construction

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

Customer Deposits

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

Connection Fees

Certain area connection fees are designated for repayment of certain development costs as well as for reinvestment in specific areas. The unspent connection fees are reported in this restricted category.

Septic Elimination Program

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

(4) Assessments Receivable

Assessments receivable represent assessments due from customers for wastewater connections. The individual assessments range from $2,000 to $24,000 and are due in 60, 120 or 180 monthly principal installments plus interest on the unpaid portion at ranges from 0% to 7% per year.

(5) Capital Assets

The following changes occurred in capital assets during the year ended December 31, 2017:

Water Utility

	Balance Jan. 1, 2017	Additions	Disposals	Adjustments/ Transfers	Balance Dec. 31, 2017
Land	$ 5,865,814	$ —	$ —	$ 12,417	$ 5,878,231
Distribution and collection	244,526,500	—	758,198	5,245,519	249,013,821
Buildings and improvement	84,891,169	—	14,356	880,990	85,757,803
Equipment and other	123,873,625	335,958	847,082	2,456,882	125,819,383
Construction in progress	2,844,062	9,255,329	—	(8,505,394)	3,593,997
	462,001,170	9,591,287	1,619,636	90,414	470,063,235
Less accumulated depreciation:					
Distribution and collection	68,087,842	3,568,834	594,161	—	71,062,515
Buildings and improvement	36,907,973	2,131,901	14,356	—	39,025,518
Equipment and other	61,947,048	5,257,575	689,165	(14,683)	66,500,775
	166,942,863	10,958,310	1,297,682	(14,683)	176,588,808
Net Capital Assets	$ 295,058,307	$ (1,367,023)	$ 321,954	$ 105,097	$ 293,474,427

Wastewater Utility

	Balance Jan. 1, 2017	Additions	Disposals	Adjustments/ Transfers	Balance Dec. 31, 2017
Land	$ 2,161,829	$ —	$ —	$ 1,649,486	$ 3,811,315
Distribution and collection	341,865,783	—	180,153	26,282,070	367,967,700
Buildings and improvement	170,168,068	—	—	7,073,693	177,241,761
Equipment and other	156,374,870	68,962	1,183,647	6,939,320	162,199,505
Construction in progress	57,190,160	71,009,347	—	(53,135,564)	75,063,943
	727,760,710	71,078,309	1,363,800	(11,190,995)	786,284,224
Less accumulated depreciation:					
Distribution and collection	80,610,061	4,729,737	151,269	—	85,188,529
Buildings and improvement	47,532,869	3,299,572	—	—	50,832,441
Equipment and other	60,848,642	7,385,717	946,907	(9,958)	67,277,494
	188,991,572	15,415,026	1,098,176	(9,958)	203,298,464
Net Capital Assets	$ 538,769,138	$ 55,663,283	$ 265,624	$ (11,181,037)	$ 582,985,760

Stormwater Utility

	Balance Jan. 1, 2017	Additions	Disposals	Adjustments/ Transfers	Balance Dec. 31, 2017
Land	$ 6,081,546	$ —	$ —	$ 3,565	$ 6,085,111
Distribution and collection	142,487,756	—	110,863	12,870,374	155,247,267
Buildings and improvement	2,909,958	—	—	—	2,909,958
Equipment and other	5,763,895	—	—	230,203	5,994,098
Construction in progress	2,127,785	3,017,670	—	(1,729,555)	3,415,900
	159,370,940	3,017,670	110,863	11,374,587	173,652,334
Less accumulated depreciation:					
Distribution and collection	39,573,180	1,938,371	110,733	—	41,400,818
Buildings and improvement	781,243	60,018	—	—	841,261
Equipment and other	3,953,187	451,288	—	(41,992)	4,362,483
	44,307,610	2,449,677	110,733	(41,992)	46,604,562
Net Capital Assets	$ 115,063,330	$ 567,993	$ 130	$ 11,416,579	$ 127,047,772

Electric Utility

	Balance Jan. 1, 2017	Additions	Disposals	Adjustments/ Transfers	Balance Dec. 31, 2017
Land	$ 75,732	$ —	$ —	$ —	$ 75,732
Distribution and collection	—	—	—	—	—
Buildings and improvement	1,121,198	—	—	—	1,121,198
Equipment and other	342,787	—	—	—	342,787
Construction in progress	—	—	—	—	—
	1,539,717	—	—	—	1,539,717
Less accumulated depreciation:					
Distribution and collection	—	—	—	—	—
Buildings and improvement	1,120,596	43	—	—	1,120,639
Equipment and other	327,324	619	—	—	327,943
	1,447,920	662	—	—	1,448,582
Net Capital Assets	$ 91,797	$ (662)	$ —	$ —	$ 91,135

Yard Waste Utility

	Balance Jan. 1, 2017	Additions	Disposals	Adjustments/ Transfers	Balance Dec. 31, 2017
Land	$ —	$ —	$ —	$ —	$ —
Distribution and collection	—	—	—	—	—
Buildings and improvement	68,777	—	—	—	68,777
Equipment and other	55,997	—	—	156	56,153
Construction in progress	1,005	—	—	713	1,718
	125,779	—	—	869	126,648
Less accumulated depreciation:					
Distribution and collection	—	—	—	—	—
Buildings and improvement	59,034	3,152	—	—	62,186
Equipment and other	53,216	578	—	(61)	53,733
	112,250	3,730	—	(61)	115,919
Net Capital Assets	$ 13,529	$ (3,730)	$ —	$ 930	$ 10,729

(6) Deferred Outflows of Resources

The following is a summary of changes in deferred outflows of resources for the year ended December 31, 2017:

Water Utility	Balance Jan. 1, 2017	Additions	Deductions	Balance Dec. 31, 2017
Debt refunding loss	$ —	$ —	$ —	$ —
Outflow of resources related to pensions (see note 13)	2,712,683	—	975,671	1,737,012
	$ 2,712,683	$ —	$ 975,671	$ 1,737,012

Wastewater Utility	Balance Jan. 1, 2017	Additions	Deductions	Balance Dec. 31, 2017
Debt refunding loss	$ 1,071,272	$ 2,193,260	$ 578,368	$ 2,686,164
Outflow of resources related to pensions (see note 13)	3,967,419	—	1,425,303	2,542,116
	$ 5,038,691	$ 2,193,260	$ 2,003,671	$ 5,228,280

Stormwater Utility	Balance Jan. 1, 2017	Additions	Deductions	Balance Dec. 31, 2017
Debt refunding loss	$ —	$ 56,886	$ 11,377	$ 45,509
Outflow of resources related to pensions (see note 13)	1,462,314	—	537,795	924,519
	$ 1,462,314	$ 56,886	$ 549,172	$ 970,028

(7) Developer Notes Payable

Certain future revenues in newly developed areas are pledged as payment to retire developer debt associated with infrastructure installed to enable the new developments. Capital surcharges applicable only to designated new development regions and area connection fees generated from the designated new development regions will be applied to the developer debt until paid in full. Only revenue generated and collected from the new developments is available to retire the debt. Pledged revenues were $273,284 for Wastewater Utility in 2017. Developer notes payable were $585,577 for Wastewater Utility in 2017. The debt accrues interest at prime, which as of the end of 2017 was at 4.5%, plus 1%. payable are included in current liabilities.

(8) Long-Term Debt

Bonds Payable:

Water Utility bonds payable at December 31, 2017 are as follows:

Water Works Revenue Bonds of 2005 - original issue of $16,700,000 - interest rates range from 4.00% to 4.13% and mature serially in amounts ranging from $2,250,000 in 2018 to $2,345,000 in 2019, redeemable prior to maturity for bonds maturing on or after 2015, plus unamortized bond premium of $2,948.	$ 4,597,948
Water Works Revenue Bonds of 2012 - original issue of $40,000,000 - interest rates range from 2.00% to 3.00% and mature serially in amounts ranging from $1,180,000 in 2018 to $2,975,000 in 2032, redeemable prior to maturity for bonds maturing on or after 2023, plus unamortized bond premium of $353,874.	35,358,874
Water Works Revenue Bonds of 2014 - original issue of $63,000,000 - interest rates range from 2.00% to 4.00% and mature serially in amounts ranging from $600,000 in 2018 to $5,730,000 in 2034, redeemable prior to maturity for bonds maturing on or after 2024, plus unamortized bond premium of $1,139,568.	62,479,568
Total	102,436,390
Less: Current portion	(4,030,000)
Noncurrent Bonds payable, net	$ 98,406,390

Water Utility bond debt service requirements to maturity as of December 31, 2017 are as follows:

Year Due	Principal	Interest	Total
2018	$ 4,030,000	$ 3,293,206	$ 7,323,206
2019	4,150,000	3,167,606	7,317,606
2020	2,820,000	3,034,775	5,854,775
2021	2,885,000	2,978,375	5,863,375
2022	5,800,000	2,918,888	8,718,888
2023-2027	31,940,000	11,870,288	43,810,288
2028-2032	38,105,000	6,417,125	44,522,125
2033-2037	11,210,000	565,600	11,775,600
Total	$ 100,940,000	$ 34,245,863	$ 135,185,863

Wastewater Utility bonds payable at December 31, 2017 are as follows:

Sewage Works Revenue Bonds of 2011, Series A - original issue of $38,100,000 - interest rate is 2.80% annually and mature serially in amounts from $2,725,000 in 2018 to $3,490,000 in 2026, redeemable at 100% beginning in 2022.	$ 27,605,000
Sewage Works Revenue Bonds of 2012, Series B - original issue of $15,530,000 - interest rates range from 2.00% to 3.00% and mature serially in amounts from $1,035,000 in 2018 to $1,295,000 in 2027, redeemable at 100% beginning in 2023, plus unamortized debt premium of $334,580.	11,829,580
Sewage Works Refunding Revenue Bonds of 2012 - original issue of $19,675,000 - interest rate is 1.45% annually and mature serially in amounts from $2,020,000 in 2018 to $2,140,000 in 2022, redeemable at 100% beginning in 2021, plus unamortized debt premium of $17,291.	10,402,291
Sewage Works Refunding Revenue Bonds of 2013 - original issue of $7,335,000 - interest rate is 1.0% and mature at $1,390,000 in 2018.	1,390,000
Sewage Works Revenue Bonds of 2013, Series A - original issue of $32,955,000 - interest rate is 1.95% and mature serially in amounts from $2,135,000 in 2018 to $4,060,000 in 2024, plus unamortized debt premium of $397,371.	25,477,371
Sewage Works Revenue Bonds of 2013, Series B - original issue of $42,260,000 - interest rates range from 3.50% to 3.63% and mature serially in amounts from $4,165,000 in 2025 to $5,295,000 in 2033, redeemable at 100% beginning in 2023.	42,260,000
Sewage Works Refunding Revenue Bonds of 2016 - original issue of $35,440,000 – interest rates range from 2.00% to 4.00% and mature serially in amounts from $3,295,000 in 2018 to $1,505,000 in 2027, redeemable at 100% beginning in 2024, plus unamortized debt premium of $2,325,505.	34,205,505
Sewage Works Refunding Bonds of 2017 Series A - Original Issue of $16,700,000 - Interest rate of 2.53% and mature serially in amounts from $805,000 in 2018 to $1,500,000 in 2030. Loan obligations maturing on or after 2026 are redeemable on or after 2025 at 100.5% and loan obligations maturing on or after 2028 are redeemable on or after 2027 at 100%.	16,700,000
Sewage Works Refunding Bonds of 2017 Series B - Original Issue of $16,700,000 - Interest rate of 2.53% and mature serially in amounts from $810,000 in 2018 to $1,500,000 in 2030, redeemable at 100.5% beginning 2025 to 2027 and at 100% thereafter.	16,700,000
Total	186,569,747
Less: Current portion	(14,215,000)
Noncurrent Bonds payable, net	$ 172,354,747

Wastewater Utility bond debt service requirements to maturity as of December 31, 2017 are as follows:

Year Due	Principal	Interest	Total
2018	$ 14,215,000	$ 4,688,761	$ 18,903,761
2019	15,215,000	4,731,145	19,946,145
2020	15,530,000	4,405,102	19,935,102
2021	15,895,000	4,037,898	19,932,898
2022	16,270,000	3,661,671	19,931,671
2023-2027	68,190,000	12,096,825	80,286,825
2028-2032	32,885,000	4,022,735	36,907,735
2033-2037	5,295,000	191,944	5,486,944
Total	$ 183,495,000	$ 37,836,081	$ 221,331,081

Stormwater Utility bonds payable at December 31, 2017 are as follows:

Stormwater Management District Revenue Bonds of 2017 - original issue of $27,320,000 - interest rate range of 2.00% to 3.00% and mature in amounts from $1,550,000 in 2018 to $1,065,000 in 2033, redeemable at 100% beginning in 2025, plus unamortized bond premium of $390,042.	$ 27,535,042
Less: Current portion	(1,550,000)
Noncurrent Bonds payable, net	$ 25,985,042

Stormwater Utility bond debt service requirements to maturity as of December 31, 2017 are as follows:

Year Due	Principal	Interest	Total
2018	$ 1,550,000	$ 661,050	$ 2,211,050
2019	1,565,000	630,000	2,195,000
2020	1,595,000	598,550	2,193,550
2021	1,620,000	566,550	2,186,550
2022	1,570,000	534,400	2,104,400
2023-2027	8,430,000	2,179,100	10,609,100
2028-2032	9,750,000	983,475	10,733,475
2033-2037	1,065,000	15,975	1,080,975
Total	$ 27,145,000	$ 6,169,100	$ 33,314,100

Loans Payable:

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

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

Details of all Water Utility State Revolving Fund (SRF) loans payable at December 31, 2017 are as follows:

SRF Shared Pool loans:	
Waterworks SRF Revenue Bonds of 2006 - final pool share - $31,900,000 - the interest rate is 3.95% and mature serially in amounts ranging from $2,455,000 in 2018 to $2,755,000 in 2021, redeemable prior to maturity for bonds maturing after 2017.	$ 10,410,000
Waterworks SRF Revenue Bonds of 2011, Series B - original pool share issue $26,906,000 - the interest rate is 2.967% and matures serially in amounts ranging from $1,304,000 in 2018 to $2,073,000 in 2031, redeemable prior to maturity for bonds maturing after 2021.	23,260,000
Total	33,670,000
Less: Current portion	(3,759,000)
Noncurrent Loan payable	$ 29,911,000

Water Utility anticipated loan debt service requirements to maturity as of December 31, 2017 are as follows:

Year Due	Principal	Interest	Total
2018	$ 3,759,000	$ 1,101,319	$ 4,860,319
2019	3,901,000	965,657	4,866,657
2020	4,051,000	824,848	4,875,848
2021	4,206,000	678,605	4,884,605
2022	1,504,000	526,732	2,030,732
2023-2027	8,381,000	1,930,953	10,311,953
2028-2032	7,868,000	593,993	8,461,993
Total	$ 33,670,000	$ 6,622,107	$ 40,292,107

Details of all Wastewater Utility State Revolving Fund (SRF) loans payable at December 31, 2017 are as follows:

SRF Draw-down loans:	
Sewage Works SRF Revenue Bonds of 2009, Series A - Final Draw - $5,000,000 - the interest rate is 0.16% and mature serially in amounts ranging from $243,824 in 2018 to $248,547 in 2030, redeemable prior to maturity for bonds maturing after 2020.	$ 3,200,323
Sewage Works SRF Revenue Bonds of 2011, Series B - Final Draw - $33,576,000 - the interest rate is 2.29% and matures serially in amounts ranging from $1,545,000 in 2018 to $2,073,000 in 2031, redeemable prior to maturity for bonds maturing after 2023.	25,157,000
Sewage Works SRF Revenue Bonds of 2012, Series A - Final Draw - $10,415,000 - the interest rate is 1.78% and matures serially in amounts ranging from $478,000 in 2018 to $612,000 in 2032, redeemable prior to maturity for bonds maturing after 2024.	8,134,000
Sewage Works SRF Revenue Bonds of 2014, Series A - Draw up to $17,000,000 - as of December 31, 2017, total draw is $16,483,664 - the interest rate is 2.35% and matures serially in amounts ranging from $772,000 in 2018 to $1,094,000 in 2033, redeemable prior to maturity for bonds maturing after 2026.	14,272,664
Sewage Works SRF Revenue Bonds of 2016, Series A - Draw up to $108,000,000 - as of December 31, 2017, total draw is $2,722,324 - the interest rate is 2.00% and matures serially in amounts ranging from $4,065,000 in 2018 to $3,050,000 in 2039, redeemable prior to maturity for bonds maturing after 2028.	2,722,324
SRF Shared Pool loans:	
Sewage Works SRF Revenue Bonds of 2009, Series B - final pool share - $29,091,005 - the interest rate is 4.16% and mature serially in amounts ranging from $1,278,051 in 2018 to $2,084,297 in 2030, redeemable prior to maturity for bonds maturing after 2020.	21,465,229
Sewage Works SRF Revenue Bonds of 2014, Series B - final pool share - $60,872,000 - the interest rate is 3.074% and matures serially in amounts ranging from $695,000 in 2018 to $2,012,000 in 2034, redeemable prior to maturity for bonds maturing after 2027.	59,577,000
Sewage Works SRF Revenue Bonds of 2014, Series C - final pool share - $5,015,000 - the interest rate is 3.074% and matures serially in amounts ranging from $210,000 in 2018 to $350,000 in 2034, redeemable prior to maturity for bonds maturing after 2027.	4,620,000
Sewage Works SRF Revenue Bonds of 2016, Series B - final pool share - $138,583,000 - the interest rate is 3.06% and matures serially in amounts ranging from $653,895 in 2018 to $7,325,433 in 2046, redeemable prior to maturity for bonds maturing after 2028.	137,763,243
Total	276,911,783
Less: Current portion	(9,940,770)
Noncurrent Loans payable	$ 266,971,013

Wastewater Utility anticipated loan debt service requirements to maturity, after all remaining loan principal has been drawn down, as of December 31, 2017 are as follows:

Year Due	Principal	Interest	Total
2018	$ 9,940,770	$ 10,315,467	$ 20,256,237
2019	11,191,080	10,070,750	21,261,830
2020	11,892,988	9,788,543	21,681,531
2021	13,403,161	9,485,682	22,888,843
2019	13,755,317	9,137,367	22,892,684
2023-2027	88,680,072	39,403,534	128,083,606
2028-2032	101,394,867	26,256,652	127,651,519
2033-2037	64,754,735	14,145,580	78,900,315
2038-2042	39,678,252	7,098,673	46,776,925
2043-2044	28,014,553	1,962,846	29,977,399
Total	$ 382,705,795	$ 137,665,094	$ 520,370,889

On June 29, 2017 the City of Fort Wayne Municipal Stormwater Utility issued $6,390,000 in refunding revenue bonds with and average interest rate ranging from 2.0% to 3.0% to refund $6,885,000 of outstanding 2006 bond with an average interest rate of 4.%. The net proceeds of $5,880,900 after payment of $30,222 in issuance costs and $70,661 in bond discount) and local contributions of $1,141,800 were used to cash defease the 2006 Bonds. Those securities were deposited in an irrevoccable trust with and escrow agent to provide for all future debt service payments on 2006 series bonds. As a result, these bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The refunding resulted in the accounting loss of $56,886, which has been recognized on the Statement of Net Position as Deferral of Loss on Refunding. This amount will be amortized using the straight line method and charged to interest expense over the next 5 years. The City of Fort Wayne Municipal Stormwater Utility in effect lowered its aggregate debt service payment by $227,910 over the next 5 years and realized an economic gain (difference between the present values of the old and new debt service payments) of $266,836.

On December 22, 2017 the City of Fort Wayne Municipal Sewage Works issued $33,400,000 in refunding revenue bonds with and average interest rate of 2.53% to refund $32,105,000 of outstanding 2010 series bonds with an average interest rate ranging from 4.25 % to 4.5%. The net proceeds of $33,528,273 (after payment of $199,424 in issuance costs) and local contributions of $1,126,575 purchase U.S. government securities for the 2010 Bonds. Those securities were deposited in an irrevoccable trust with and escrow agent to provide for all future debt service payments on 2010 series bonds. As a result, these bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The refunding resulted in the accounting loss of $2,193,260, which has been recognized on the Statement of Net Position as Deferral of Loss on Refunding. This amount will be amortized using the straight line method and charged to interest expense over the next 5 years. The City of Fort Wayne Municipal Sewage Works in effect lowered its aggregate debt service payment by $2,553,947 over the next 5 years and realized an economic gain (difference between the present values of the old and new debt service payments) of $1,849,198.

Capital Leases:

City Utilities has entered into Capital Leases. Details of the capital leases at December 31, 2017 are as follows:

Carrying Value:	Water	Wastewater	Stormwater	Electric	Yard Waste	Total
2017 Equipment Lease	$ 403,782	$ 899,006	$ 293,152	$ —	$ 47	$ 1,595,987

The anticipated loan debt service requirements to maturity as of December 31, 2017 are as follows:

Water Utility

Year Due	Principal	Interest	Total
2018	$ 58,603	$ 8,185	$ 66,788
2019	59,842	6,946	66,788
2020	61,107	5,681	66,788
2021	62,399	4,389	66,788
2022	63,718	3,070	66,788
2023-2024	98,113	2,070	100,183
Total	$ 403,782	$ 30,341	$ 434,123

Sewer Utility

Year Due	Principal	Interest	Total
2018	$ 130,478	$ 18,224	$ 148,702
2019	133,236	15,465	148,701
2020	136,053	12,649	148,702
2021	138,929	9,772	148,701
2022	141,866	6,835	148,701
2023-2024	218,444	4,610	223,054
Total	$ 899,006	$ 67,555	$ 966,561

Stormwater Utility

Year Due	Principal	Interest	Total
2018	$ 42,547	$ 5,942	$ 48,489
2019	43,446	5,043	48,489
2020	44,365	4,125	48,490
2021	45,303	3,187	48,490
2022	46,260	2,229	48,489
2023-2024	71,231	1,503	72,734
Total	$ 293,152	$ 22,029	$ 315,181

Yard Utility

Year Due	Principal	Interest	Total
2018	$ 7	$ 1	$ 8
2019	7	1	8
2020	7	1	8
2021	7	1	8
2022	8	—	8
2023-2024	11	—	11
Total	$ 47	$ 4	$ 51

Changes in Long-Term Liabilities

The following is a summary of long-term obligations for the Utilities for the year ended December 31, 2017:

Water Utility	Balance Jan. 1, 2017	Additions	Deductions	Balance Dec. 31, 2017	Current Portion
Bonds and loans					
Revenue bonds payable, net	$ 106,501,721	$ —	$ 4,065,331	$ 102,436,390	$ 4,030,000
Loans payable	37,288,000	—	3,618,000	33,670,000	3,759,000
Capital lease payable	—	432,627	28,845	403,782	58,603
Total bonds and loans	143,789,721	432,627	7,712,176	136,510,172	7,847,603
Other noncurrent liabilities					
Accrued compensated absences	964,397	890,027	898,389	956,035	629,252
Interfund payable	68,215	—	68,215	—	—
Net pension liability (see note 13)	6,821,943	1,204,678	1,910,661	6,115,960	—
Total other noncurrent liabilities	7,854,555	2,094,705	2,877,265	7,071,995	629,252
	$ 151,644,276	$ 2,527,332	$ 10,589,441	$ 143,582,167	$ 8,476,855

Wastewater Utility	Balance Jan. 1, 2017	Additions	Deductions	Balance Dec. 31, 2017	Current Portion
Bonds and loans					
Revenue bonds payable, net	$ 199,961,770	$ 33,400,000	$ 46,792,023	$ 186,569,747	$ 14,215,000
Loans payable	279,028,078	3,776,904	5,893,199	276,911,783	9,940,770
Capital lease payable	—	963,228	64,222	899,006	130,478
Total bonds and loans	478,989,848	38,140,132	52,749,444	464,380,536	24,286,248
Other noncurrent liabilities					
Accrued compensated absences	897,792	858,672	867,824	888,640	610,517
Interfund payable	7,894	—	7,894	—	—
Net pension liability (see note 13)	9,980,723	1,759,846	2,791,178	8,949,391	—
Total other noncurrent liabilities	10,886,409	2,618,518	3,666,896	9,838,031	610,517
	$ 489,876,257	$ 40,758,650	$ 56,416,340	$ 474,218,567	$ 24,896,765

Stormwater Utility	Balance Jan. 1, 2017	Additions	Deductions	Balance Dec. 31, 2017	Current Portion
Bonds and loans					
Revenue bonds payable, net	$ 6,895,820	$ 27,732,451	$ 7,093,229	$ 27,535,042	$ 1,550,000
Loans payable	—	—	—	—	—
Capital lease payable	—	314,094	20,942	293,152	42,547
Total bonds and loans	6,895,820	28,046,545	7,114,171	27,828,194	1,592,547
Other noncurrent liabilities					
Accrued compensated absences	221,888	236,633	247,170	211,351	174,458
Interfund payable	36,642	—	36,642	—	—
Net pension liability (see note 13)	3,687,503	664,025	1,053,166	3,298,362	—
Total other noncurrent liabilities	3,946,033	900,658	1,336,978	3,509,713	174,458
	$ 10,841,853	$ 28,947,203	$ 8,451,149	$ 31,337,907	$ 1,767,005

Yard Waste Utility		Balance Jan. 1, 2017		Additions		Deductions		Balance Dec. 31, 2017		Current Portion
Bonds and loans										
Revenue bonds payable, net	$	—	$	—	$	—	$	—	$	—
Loans payable		—		—		—		—		—
Capital lease payable		—		51		4		47		7
Total bonds and loans		—		51		4		47		7
Other noncurrent liabilities										
Accrued compensated absences		1,929		1,864		1,891		1,902		1,418
Interfund payable		21		—		21		—		—
Net pension liability (see note 13)		—		—		—		—		—
Total other noncurrent liabilities		1,950		1,864		1,912		1,902		1,418
	$	1,950	$	1,915	$	1,916	$	1,949	$	1,425

(9) Related Party Transactions

During the course of operations, numerous transactions occurred between the Utilities and City for goods and services rendered. The Utilities received $974,691 in 2017 from the City for water, sewer and stormwater services.

The City received the following from the Utilities in 2017:

	Water Utility	Wastewater Utility	Stormwater Utility	Yard Waste Utility	Electric Utility	Totals
Self insurance	$ 2,906,284	$ 2,593,545	$ 655,106	$ 4,870	$ —	$ 6,159,805
Garage services	535,326	563,821	188,775	190	—	1,288,112
Overhead charges	551,037	805,746	302,987	4,994	—	1,664,764
Office and technical services	65,622	18,590	11,964	63	—	96,239
Transfers out in lieu of taxes	2,603,043	4,670,166	1,233,469	—	—	8,506,678
Totals	$ 6,661,312	$ 8,651,868	$ 2,392,301	$ 10,117	$ —	$17,715,598

(10) Interfund Assets and Liabilities

As of December 31, 2017, 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		Redevelopment		Internal Services		Total
Water	$	1,622	$	473,608	$	2,485	$	477,715
Wastewater		—		—		3,247		3,247
Stormwater		—		400,000		1,176		401,176
Electric		—		—		—		—
Yard Waste		—		—		8		8
Total	$	1,622	$	873,608	$	6,916	$	882,146

Due to City:

	Payable Fund					
Receivable Fund	Water	Wastewater	Stormwater	Electric	Yard Waste	Total
General	$ 1,331,553	2,376,268	$ 630,215	$ —	$ 214	$ 4,338,250
Benefits	66,310	60,164	17,041	—	32	143,547
CSQ Parking	808	1,312	475	—	7	2,602
MVH	—	—	7,127	—	—	7,127
Parks	555	—	—	—	—	555
CEDIT	195,670	707	255	—	4	196,636
Solid Waste	398,105	597,157	214,831	—	3,641	1,213,734
Total	$ 1,993,001	$ 3,035,608	$ 869,944	$ —	$ 3,898	$ 5,902,451

(11) Equity Transfers

The 10-year sewer capacity improvement program includes storm sewer construction funded through the Wastewater Utility or Stormwater Utility. New storm sewers allow old combined sewers to be converted to sanitary-only lines. As projects are completed, the new storm sewers are transferred from the Wastewater Utility to the Stormwater Utility and new sanitary sewers are transferred from Stormwater Utility to Wastewater Utility. The amount transferred from Wastewater Utility to Stormwater Utility was $11,334,706 in 2017.

(12) Risk Management

The City, including the Utilities, retains the risk of loss for claims related to employee health, on-the-job injury, auto, and general liabilities, while continuing to buy premium insurance for a number of other risks. The City has established internal service funds to finance these risks. Interfund premiums are billed monthly on a cost allocation basis most appropriate to the type of risk involved. An excess policy covers individual health insurance claims in excess of $325,000 per year and the insurance company assumes the risk when total monthly claims exceed an amount based upon an aggregate monthly factor. An excess policy for workers compensation covers individual claims in excess of $400,000 per employee per injury. The general and auto liability is limited by Indiana government tort liability limits of $700,000 per person and incident. Liabilities are the responsibility of the City's internal service funds.

(13) Pension Plan - Public Employee's Retirement Fund

Plan Description

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

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

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

<u>Benefits Provided</u>

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

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

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

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

The PERF plan provides disability benefits to members who have at least 5 years of creditable service and become disabled while in active service, on FMLA leave, receiving workers' compensation benefits, or receiving employer provided disability insurance benefits. The member must be qualified for social security disability benefits and furnish proof of the qualification. The disability benefit is calculated the same as that for a normal retirement without reduction for early retirement. Also, under certain circumstances, upon the death in service of a member, a survivor benefit may be paid to a surviving spouse or surviving dependent children under the age of 18.
The monthly pension benefits for members in pay status may be increased periodically as cost of living adjustments (COLA), however, such increases are not guaranteed by statute and have historically

been provided on an "ad hoc" basis. These increases can only be granted by the Indiana General Assembly.

Contributions

The contributions requirements of the plan members and the Utilities 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. PERF members are required to contribute 3 percent of their annual covered salary. For 2017, the Utilities are required to contribute at an actuarially determined rate of 11.2 percent of annual covered payroll. The Utilities' contribution to the plan for the year ending December 31, 2017 was $2,269,585 and was equal to the required contribution for each year.

Actuarial Assumptions

The were no changes in assumptions for the June 30, 2017 actuarial valuation. The actuarial assumptions used in the June 30, 2017 valuation of the Public Employee's Pension Fund were adopted by the INPRS Board in April, 2015. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	2.50% to 4.25%
Cost-of-living increases	1.00%

For the actuarial valuation as of June 30, 2017, an actuarial audit was completed which included the following assumptions: adding a load on final average salary of $400 to reflect unused sick leave accumulated at termination of employment for active and inactive vested members. Additionally, for disabled members, the RP-2014 (with MP-2014 improvement removed) Disability Mortality tables are assumed instead of the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality tables.

Mortality rates were based upon the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Table projected on a fully generational basis using the future mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee Report.

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

The long term return expectation for the INPRS defined benefit retirement plans has been determined by using a building block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted 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 rebalancing uncorrelated asset classes. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized below:

	Target Allocation (%)	Long Term Expected Real Rate of Return (%)
Public Equity	22.0	4.9
Private Equity	14.0	5.7
Fixed Income - Ex Inflation Linked	20.0	2.3
Fixed Income - Inflation Linked	7.0	0.6
Commodities	8.0	2.2
Real Estate	7.0	3.7
Absolute Return	10.0	3.9
Risk Parity	12.0	5.1
Total	100.0	

Discount Rate

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

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

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

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Utilities' proportionate share of the net pension liability	$26,782,735	$18,363,713	$11,365,162

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

As of December 31, 2017, the Utilities reported a liability of $18,363,713 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utilities' proportion of the net pension liability was based on wages reported by employers relative to the collective wages of the plan. At June 30, 2017, the Utilities' proportion was

0.004116 percent, which was an decrease of 0.0003988 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the Utilities recognized pension expenses of $3,628,549. At June 30, 2017, the Utilities 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	$ 348,747	$ 14,252
Net difference between projected and actual investment earnings on pension plan investments	2,904,817	920,693
Changes of assumptions	294,845	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	504,407	1,115,433
Employer contributions subsequent to the measurement date	1,150,831	—
	$ 5,203,647	$ 2,050,378

$1,150,831 was reported as deferred outflows of resources related to pensions resulting from Utilities' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30, 2017:	
2018	$ 893,031
2019	838,711
2020	369,485
2021	(98,789)
2022	—
Thereafter	—

Pension Plan Fiduciary Net Position

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

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

Benefit Payment Policies

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

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 judgement. 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.

(14) Commitments and Contingencies

Consent Decree:

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

Aqua Agreement:

As part of the Asset Acquisition Agreement (AAA) executed December 4, 2014, the City 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 5 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 (NPDES) Standards, or 3) the date of the Purchased Assets Closing, as defined in the AAA. The rate and minimum shall be adjusted by a consumer price index (CPI) escalator and will cover an additional 5 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:

The Utilities have entered into many contracts for various construction projects. Remaining contract payments as of December 31, 2017 for each utility are as follows:

Water Utility	$	293,683
Wastewater Utility		180,757,519
Stormwater Utility		441,977
	$	181,493,179

Major contracts awarded subsequent to December 31, 2017:

Board of Works Award Date	Vendor	Major Contract Project Description		Amount
Water Utility				
04/10/2018	Underground Contractors, Inc	Beacon Glenwood Area Water Main Replacement	$	1,072,286
			$	1,072,286
Wastewater Utility				
01/09/2018	API Construction	Flaugh Road Sanitary Sewer Improvements	$	549,240
01/09/2018	Insituform Technologies USA	2017 Cured In Place Pipe - Package I		2,637,832
02/06/2018	Cleary Construction Inc	Morton Street Lift Station Force Main		6,128,388
02/13/2018	Ottenweller Contracting, LLC	Morton Street Lift Station Improvements		6,511,000
02/13/2018	Underground Contractors Inc	Golfview & Flaugh Road Force Mains		774,616
02/13/2018	Kraft Power Corporation	800 kW Biogass Combined Heat & Power System Maintenance		1,366,269
04/17/2018	Dunigan Brothers, Inc.	Huffman-Putnam Sewer Separation Phase 1		4,897,056
			$	22,864,401

(15) Subsequent Events

Equipment and Vehicle Lease:

On March 27, 2018, the Common Council approved the financing $1,041,000 for various vehicles and equipment items by City Utilities and authorized the acceptance of the Lessor, JP Morgan Chase.

CITY OF FORT WAYNE UTILITIES
Required Supplementary Information
December 31, 2017

Schedule of Proportionate Share of the Net Pension Liability

	2017	2016	2015	2014
Proportion of the net pension liability (asset)	0.41%	0.45%	0.42%	0.40%
Proportionate share of the net pension liability (asset)	$18,363,713	$20,490,169	$17,196,200	$10,437,633
Covered employee-payroll	$20,419,990	$21,637,668	$20,223,082	$19,391,743
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	89.30%	94.70%	85.03%	53.83%
Plan fiduciary net position as a percentage of the total pension liability	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 complied, information will be shown for those years for which the information is available.

Schedule of Contributions for Pension Plan

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

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

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

(1) Financial Reporting - Pension Plans - Changes in Assumptions

For the actuarial valuation as of June 30, 2017, an actuarial audit was completed which including updating the following assumptions: adding a load on final average salary of $400 to reflect unused sick leave accumulated at termination of employment for active and inactive vested members. Additionally, for disabled members, the RP-2014 (with MP-2014 improvement removed) Disability Mortality tables are assumed instead of the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality tables.