



# LINCOLN **WATER SYSTEM**



20  
23

**Financial Statements & Schedules  
Fiscal Year Ended August 31, 2023**

# **ANNUAL FINANCIAL REPORT**

## **DEPARTMENT OF TRANSPORTATION AND UTILITIES**

### **CITY OFFICIALS**

Leirion Gaylor Baird..... Mayor

### **COUNCIL MEMBERS**

Tom Beckius .....Chair

Sandra Washington..... Vice-Chair

James Michael Bowers

Bennie Shobe

Tom Duden

Justin P. Carlson

Brodey Weber

### **WATER SYSTEM**

Elizabeth Elliott..... Director of Transportation and Utilities

Donna K. Garden .....Assistant Director of Utilities

**Lincoln Water System**  
**August 31, 2023 and 2022**

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1248 O Street, Suite 1040 / Lincoln, NE 68508

P 402.473.7600 / F 402.473.7698

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## Independent Auditor's Report

Honorable Mayor and Members of the City Council  
Lincoln Water System  
City of Lincoln, Nebraska

### ***Opinion***

We have audited the financial statements of the Lincoln Water System, an Enterprise Fund of the City of Lincoln, Nebraska (the System), as of and for the years ended August 31, 2023 and 2022, and the related notes to the 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 the Lincoln Water System, an Enterprise Fund of the City of Lincoln, Nebraska, as of August 31, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Lincoln Water System and do not purport to, and do not, present fairly the financial position of the City of Lincoln, Nebraska, as of August 31, 2023 and 2022, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is 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 opinion. 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 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, 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 System's 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 and other postemployment benefit information 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 GAAS, 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 audits 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.

## ***Supplementary Information***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and

reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the statistical information but does not include the basic financial statements and our auditor's report thereon. Our opinion on the financial statements does 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 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.

**FORVIS, LLP**

Lincoln, Nebraska  
February 6, 2024

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## **LINCOLN WATER SYSTEM**

### **Management's Discussion and Analysis**

This Management's Discussion and Analysis of the Lincoln Water System's (the "System") financial performance provides an overview of the financial activities for the years ended August 31, 2023 and 2022. Please read this information in conjunction with the accompanying basic financial statements and notes to the financial statements.

#### ***Using This Annual Report***

The System's financial statements consist of three statements – a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the System, including resources held by the System but restricted for specific purposes by creditors, contributors, or enabling legislation. The System is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

#### ***The Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position***

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information about the System's resources and its activities. These statements include all restricted and unrestricted assets and deferred outflows of resources, and all liabilities and deferred inflows of resources using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the System's net position and the changes in net position. The System's total net position – the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources – is one measure of the System's financial health or financial position. Over time, increases or decreases in the System's net position is an indicator of whether its financial health is improving or deteriorating.

#### ***The Statements of Cash Flows***

The Statements of Cash Flows report cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

#### ***The System's Net Position***

The System's net position is the difference between its assets plus deferred outflows of resources and liabilities plus deferred inflows of resources reported in the Statements of Net Position. The System's net position increased by \$27,442,454 in 2023 over 2022 as shown in Table 3.

## Financial Analysis

The following comparative condensed financial statements summarize the System's financial position and operating results for the years ended August 31, 2023, 2022 and 2021.

**Table 1**

### Condensed Statements of Net Position

	August 31		Change	
	2023	2022	Dollars	Percent
Current assets	\$72,787,972	\$ 56,687,973	\$16,099,999	28.40%
Capital assets	383,651,672	377,039,660	6,612,012	1.75%
Noncurrent assets	22,410,805	19,155,061	3,255,744	17.00%
Deferred outflows of resources	366,155	481,569	(115,414)	(23.97%)
Total assets and deferred outflows of resources	479,216,604	453,364,263	25,852,341	5.70%
Current liabilities	10,838,939	8,189,726	2,649,213	32.35%
Long-term liabilities	21,872,298	26,431,676	(4,559,378)	(17.25%)
Deferred inflows of resources	354,738	34,686	320,052	922.71%
Total liabilities and deferred inflows of resources	33,065,975	34,656,088	(1,590,113)	(4.59%)
Net position				
Net investment in capital assets	361,651,224	352,068,636	9,582,588	2.72%
Restricted for debt service	380,784	506,195	(125,411)	(24.78%)
Restricted for capital acquisition	9,335,027	7,680,736	1,654,291	21.54%
Unrestricted	74,783,594	58,452,608	16,330,986	27.94%
Total net position	446,150,629	418,708,175	27,442,454	6.55%
Total liabilities, deferred inflows of resources and net position	\$479,216,604	\$453,364,263	\$25,852,341	5.70%

### Financial Highlights – Fiscal Year 2023

- Current assets increased in part due to a growth in cash and investments and an increase in rates and usage.
- Liabilities decreased primarily due to debt service payments made during the year.

**Table 2****Condensed Statements of Net Position**

	August 31		Change	
	2022	2021	Dollars	Percent
Current assets	\$ 56,687,973	\$ 44,016,773	\$ 12,671,200	28.79%
Capital assets	377,039,660	371,273,675	5,765,985	1.55%
Noncurrent assets	19,155,061	19,679,357	(524,296)	(2.66%)
Deferred outflows of resources	481,569	595,562	(113,993)	(19.14%)
 Total assets and deferred outflows of resources	 453,364,263	 435,565,367	 17,798,896	 4.09%
Current liabilities	8,189,726	11,953,624	(3,763,898)	(31.49%)
Long-term liabilities	26,431,676	30,386,288	(3,954,612)	(13.01%)
Deferred inflows of resources	34,686	45,673	(10,987)	(24.06%)
 Total liabilities and deferred inflows of resources	 34,656,088	 42,385,585	 (7,729,497)	 (18.24%)
Net position				
Net investment in capital assets	352,068,636	339,092,645	12,975,991	3.83%
Restricted for debt service	506,195	1,119,251	(613,056)	(54.77%)
Restricted for capital acquisition	7,680,736	8,356,117	(675,381)	(8.08%)
Unrestricted	58,452,608	44,611,769	13,840,839	31.03%
Total net position	418,708,175	393,179,782	25,528,393	6.49%
 Total liabilities, deferred inflows of resources and net position	 \$453,364,263	 \$435,565,367	 \$17,798,896	 4.09%

**Financial Highlights – Fiscal Year 2022**

- Current assets increased in part due to a growth in cash and investments and an increase in rates and usage.
- Current and Long-term liabilities decreased primarily due to debt service payments made during the year. No new debt borrowings were completed in FY 21/22 for Water.

**Table 3****Condensed Statements Revenues, Expenses, and Changes in Net Position**

	August 31		Change	
	2023	2022	Dollars	Percent
Operating revenues				
Water revenue	\$57,890,075	\$49,084,901	\$8,805,174	17.94%
Other revenue	998,450	890,139	108,311	12.17%
Total operating revenues	58,888,525	49,975,040	8,913,485	17.84%
Nonoperating revenues				
Investment income	62,063	(312,129)	374,192	(119.88%)
Miscellaneous income	228,693	-	228,693	100.00%
State grant revenues	867,701	-	867,701	100.00%
Insurance Proceeds	-	2,914,808	(2,914,808)	(100.00%)
Total nonoperating revenues	1,158,457	2,602,679	(1,444,222)	(55.49%)
Total revenues	60,046,982	52,577,719	7,469,263	14.21%
Operating expenses				
Supply, pumping and purification	18,901,263	15,760,438	3,140,825	19.93%
Transmission and distribution	14,779,441	12,366,407	2,413,034	19.51%
Administrative and accounting	4,050,546	3,681,563	368,983	10.02%
Total operating expenses	37,731,250	31,808,408	5,922,842	18.62%
Nonoperating expenses				
Interest and amortization expense	711,851	768,309	(56,458)	(7.35%)
Net costs recoverable	34,348	48,712	(14,364)	(29.49%)
Total nonoperating expenses	746,199	817,021	(70,822)	(8.67%)
Total expenses	38,477,449	32,625,429	5,852,020	17.94%
Income before contributions and transfers	21,569,533	19,952,290	1,617,243	8.11%
Net transfers out	(10,291)	(25,329)	15,038	(59.37%)
Capital contributions	5,883,212	5,601,432	281,780	5.03%
Change in net position	\$27,442,454	\$25,528,393	\$1,914,061	7.50%

**Financial Highlights – Fiscal Year 2023**

- Increase in operating revenues due to a combination of 5% rate increase implemented November 2022 and an increase in usage due to a shortage of rainfall.
- Increase in grant revenues due to the receipt of ARPA Grant funds for a future second Lincoln water source.
- Decrease in insurance and NEMA proceeds as flood projects are closing out.
- Increase in operating expenses due to inflationary growth in supplies and contracted expenses.

**Table 4****Condensed Statements Revenues, Expenses, and Changes in Net Position**

	August 31		Change	
	2022	2021	Dollars	Percent
Operating revenues				
Water revenue	\$49,084,901	\$47,148,641	\$1,936,260	4.11%
Other revenue	890,139	806,819	83,320	10.33%
Total operating revenues	49,975,040	47,955,460	2,019,580	4.21%
Nonoperating revenues				
Investment income	(312,129)	33,444	(345,573)	(1033.29%)
Grant revenues	-	1,087,343	(1,087,343)	(100.00%)
Insurance Proceeds	2,914,808	3,355,531	(440,723)	(13.13%)
Total nonoperating revenues	2,602,679	4,476,318	(1,873,639)	(41.86%)
Total revenues	52,577,719	52,431,778	145,941	(0.28%)
Operating expenses				
Supply, pumping and purification	15,760,438	15,333,750	426,688	2.78%
Transmission and distribution	12,366,407	11,447,545	918,862	8.03%
Administrative and accounting	3,681,563	3,287,536	394,027	11.99%
Total operating expenses	31,808,408	30,068,831	1,739,577	5.79%
Nonoperating expenses				
Interest and amortization expense	768,309	933,405	(165,096)	(17.69%)
Net costs recoverable	48,712	49,337	(625)	(1.27%)
Flood Repairs - Ashland	-	7,209,557	(7,209,557)	(100.00%)
Total nonoperating expenses	817,021	8,192,299	(7,375,278)	(90.03%)
Total expenses	32,625,429	38,261,130	(5,635,701)	(14.73%)
Income before contributions and transfers	19,952,290	14,170,648	5,781,642	40.80%
Net transfers out	(25,329)	(10,406)	(14,923)	143.41%
Capital contributions	5,601,432	5,525,701	75,731	1.37%
Change in net position	\$25,528,393	\$19,685,943	\$5,842,450	29.68%

**Financial Highlights – Fiscal Year 2022**

- Increase in operating revenues due to a combination of 6% rate increase implemented November 2021 and an increase in usage.
- Decrease in nonoperating revenues due to timing of insurance and FEMA reimbursements for 2019 flood damage and grant revenues.
- Decrease in Flood Repairs as the 2019 Flood Recovery projects are nearing completion.

### ***Debt Activity***

In connection with its bond issues the System is required, among other things, to maintain certain financial conditions and the System's ability to issue new debt is restricted.

Additional information regarding debt activity can be found in the Notes to Financial Statements, Note 5, of this report.

### ***Capital Asset Activity***

The System's investment in capital assets as of August 31, 2023 amounts to \$383,651,672 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment. Additional information regarding capital assets can be found in the Notes to Financial Statements, Note 4, of this report.

### ***System Credit and Bond Ratings***

The outstanding revenue bonds of the System are currently rated by Standard & Poor's and Moody's. This rating takes into account the amount of unrestricted net position maintained by the System, to which the revenue bonds' obligation of the System is pledged. The credit rating received from Standard & Poor's Rating is AA+ for Series 2019 Bond and AA for 2013 bonds. The credit rating issued by Moody's Rating Services for all bonds is Aa1. Additional information regarding debt can be found in the Notes to Financial Statements, Note 5, of this report.

### ***Commitments and Contingencies***

The System has commitments under major construction contracts in progress of approximately \$24,873,000 at August 31, 2023 to be paid with revenues and bond proceeds.

### ***Forward-Looking Information***

The approved Capital Improvement Program for Fiscal Year 2023/24 - 2027/28 identifies the need for \$226,253,500 to fund capital improvements for the System. A portion of that total is projected to be funded by revenue bonds. Future user fee increases will be needed to make the necessary improvements possible.

In August 2022, the Lincoln City Council approved 5% revenue increases effective November 2022 and 2023. This will be attained through increases in the usage rates and service charges.

In 2022, The Nebraska State Legislature approved \$20 million in American Rescue Plan Act funds for Lincoln to begin work securing a second source of reliable drinking water and followed up with another \$177.2 million appropriation in 2023 enhancing the existing capacity will help the capital city and surrounding communities in the decades to come.

Lincoln Water plans to replace lead pipes in homes and other property with the help of a \$32.6 million dollar loan from the federal government through NDEE.

### ***Contact Information***

This financial report is intended to provide users with a general overview of the System's financial performance for 2023 and 2022. If you have questions about this report or need additional financial information, please contact the Business Office of the Transportation & Utilities Department at 555 South 10<sup>th</sup> Street, Lincoln, NE 68508.

**LINCOLN WATER SYSTEM**

An Enterprise Fund of the City of Lincoln, Nebraska

**Statements of Net Position****August 31, 2023 and 2022**

<b>Assets and Deferred Outflows of Resources</b>	<b>2023</b>	<b>2022</b>
Current assets:		
Equity in pooled cash and investments	\$ 56,443,538	\$ 41,638,255
Receivables:		
Accounts receivable	4,633,829	5,444,168
Unbilled revenues	7,201,438	5,566,984
Due from other governments	627,949	-
Due from other funds	1,029,586	1,767,572
Total receivables	13,492,802	12,778,724
Inventories	2,851,632	2,270,994
Total current assets	72,787,972	56,687,973
Noncurrent assets:		
Equity in pooled cash and investments	8,470,823	6,701,906
Restricted assets:		
Equity in pooled cash and investments	359,106	358,704
Investments	4,080,833	4,214,351
Impact fees receivable	9,335,027	7,680,736
Total restricted assets	13,774,966	12,253,791
Utility plant:		
Non-depreciable	16,199,278	11,213,543
Depreciable	578,451,715	567,366,720
Less accumulated depreciation	(210,999,321)	(201,540,603)
Net utility plant	383,651,672	377,039,660
Costs recoverable from future billings	165,016	199,364
Total noncurrent assets	406,062,477	396,194,721
Total assets	478,850,449	452,882,694
Deferred outflows of resources:		
Deferred loss on refunding	229,683	308,386
OPEB related items	136,472	173,183
Total deferred outflows of resources	366,155	481,569
Total assets and deferred outflows of resources	\$ 479,216,604	\$ 453,364,263
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
Current liabilities:		
Accounts payable	\$ 5,173,993	\$ 2,867,366
Accrued liabilities	566,799	422,755
Due to other funds	190,319	75,942
Deposits liability	246,159	264,839
Accrued compensated absences	604,079	624,532
Current maturities of long-term debt	3,993,310	3,862,307
Accrued interest payable from restricted assets	64,280	71,985
Total current liabilities	10,838,939	8,189,726
Long-term liabilities:		
Total OPEB liability, excluding current maturities	458,166	828,399
Accrued compensated absences, excluding current maturities	1,542,805	1,427,764
Long-term debt, excluding current maturities	19,871,327	24,175,513
Total long-term liabilities	21,872,298	26,431,676
Total liabilities	32,711,237	34,621,402
Deferred inflows of resources:		
OPEB related items	354,738	34,686
Total deferred inflows of resources	354,738	34,686
Net position:		
Net investment in capital assets	361,651,224	352,068,636
Restricted for debt service	380,784	506,195
Restricted for capital acquisition	9,335,027	7,680,736
Unrestricted	74,783,594	58,452,608
Total net position	446,150,629	418,708,175
Total liabilities, deferred inflows of resources and net position	\$ 479,216,604	\$ 453,364,263

See accompanying notes to financial statements.

**LINCOLN WATER SYSTEM**  
**An Enterprise Fund of the City of Lincoln, Nebraska**

**Statements of Revenues, Expenses and Changes in Net Position**

**Years ended August 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
Operating revenues:		
Water sales	\$ 57,890,075	\$ 49,084,901
Service and materials, net	998,450	890,139
Total operating revenues	58,888,525	49,975,040
Operating expenses:		
Supply, pumping and purification	18,901,263	15,760,438
Transmission and distribution	14,779,441	12,366,407
Administrative and general	4,050,546	3,681,563
Total operating expenses	37,731,250	31,808,408
Operating income	21,157,275	18,166,632
Nonoperating revenues (expenses):		
Investment income (loss)	62,063	(312,129)
Interest and amortization expense	(711,851)	(768,309)
State grant revenues	867,701	-
Net costs recoverable	(34,348)	(48,712)
Miscellaneous income	228,693	2,914,808
Net nonoperating expenses	412,258	1,785,658
Increase in net position before capital contributions	21,569,533	19,952,290
Capital contributions from:		
Developers	3,112,149	2,946,705
Tap fees	1,116,772	777,766
Impact Fees	1,654,291	1,876,961
Total capital contributions	5,883,212	5,601,432
Transfers Out	(10,291)	(25,329)
Increase in net position	27,442,454	25,528,393
Total net position - beginning	418,708,175	393,179,782
Total net position - ending	\$ 446,150,629	\$ 418,708,175

See accompanying notes to financial statements.

**LINCOLN WATER SYSTEM**  
**An Enterprise Fund of the City of Lincoln, Nebraska**

**Statements of Cash Flows**

**Years ended August 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
Operating activities:		
Receipts from customers and users	\$ 55,734,059	\$ 48,643,591
Sales tax receipts	657,380	1,745,179
Payments for sales tax	(688,972)	(1,184,456)
Payments to suppliers	(16,742,906)	(11,067,652)
Payments to employees	(9,956,694)	(10,099,176)
Net cash provided by operating activities	29,002,867	28,037,486
Noncapital financing activities:		
Insurance proceeds	-	2,914,808
Net transfers to other funds	(10,291)	(25,329)
Net repayments from (advances to) other funds	270,843	(80,140)
Net cash provided by (used in) noncapital financing activities	260,552	2,809,339
Capital and related financing activities:		
Acquisition and construction of capital assets	(9,120,327)	(12,863,992)
Principal paid on revenue bonds and long term obligations	(3,862,307)	(4,701,657)
Interest paid on revenue bonds and long term obligations	(951,729)	(1,114,384)
Other capital and related financing activities	468,445	-
Net cash used in capital and related financing activities	(13,465,918)	(18,680,033)
Investing activities:		
Purchases of investments	(66,585,981)	(42,828,626)
Proceeds from sales and investment maturities	52,819,093	23,069,427
Interest on investments	180,991	185,377
Net cash used in investing activities	(13,585,897)	(19,573,822)
Net increase (decrease) in cash and cash equivalents	2,211,604	(7,407,030)
Cash and cash equivalents at beginning of year	712,934	8,119,964
Cash and cash equivalents at end of year	\$ 2,924,538	\$ 712,934
Composition of equity in pooled cash and investments		
Cash and cash equivalents	\$ 2,924,538	\$ 712,934
Investments	62,348,929	47,985,931
Total equity in pooled cash and investments	\$ 65,273,467	\$ 48,698,865
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 21,157,275	\$ 18,166,632
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	9,515,431	9,329,216
Changes in operating assets and liabilities:		
Accounts receivable	(2,478,406)	383,441
Inventories	(580,638)	(568,312)
Accounts payable	1,182,723	822,148
Accrued liabilities and deposit liability	121,223	(510,569)
Total OPEB liability	(366,092)	44,482
Deferred outflows	36,711	37,440
Deferred inflows	320,052	(10,987)
Accrued compensated absences	94,588	343,995
Total adjustments	7,845,592	9,870,854
Net cash provided by operating activities	\$ 29,002,867	\$ 28,037,486

**Supplemental disclosure of noncash transactions:**

Contributed capital improvements of \$3,112,149 and \$2,946,705 were added to utility plant in 2023 and 2022, respectively.

Accounts payable incurred for utility plant purchases were \$2,360,369 and \$1,236,465 in 2023 and 2022, respectively.

Amortization of debt premiums of \$310,876 and \$413,550 in 2023 and 2022

respectively. See accompanying notes to financial statements.

# **LINCOLN WATER SYSTEM**

## **An Enterprise Fund of the City of Lincoln, Nebraska**

### **Notes to Financial Statements**

August 31, 2023 and 2022

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#### **(1) Organization and Summary of Significant Accounting Policies**

##### ***Organization and Nature of Operations***

Lincoln Water System is a public utility accounted for as an enterprise fund by the City of Lincoln, Nebraska (City). Lincoln Water System (System) is operated under the direction of the Mayor and City Council. The authority to adopt the annual budget, to incur debt and to fix rates and charges is vested in the City Council by the Charter of the City of Lincoln. As the System is a part of the City, it is exempt from federal income tax.

##### ***Measurement Focus and Basis of Accounting***

The financial statements of the System are prepared on the accrual basis of accounting using the economic resources measurement focus in accordance with generally accepted accounting principles (GAAP) as applied to enterprise activities of governmental units. The System follows the uniform system of accounts as prescribed by the National Association of Regulatory Utility Commissioners. In reporting financial activity, the System applies all applicable Government Accounting Standards Board (GASB) pronouncements including the regulated operations provisions of GASB Statement No. 62, which permits an entity with cost-based rates to defer certain costs or income that would be otherwise recognized when incurred to the extent the rate-regulated entity is recovering or expecting to recover such amounts in rates charged to its customers.

The GASB periodically updates its codification of the existing Governmental and Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

The financial statements referred to above present only the Lincoln Water System, an enterprise fund of the City of Lincoln, Nebraska, and do not purport to, and do not, present fairly the financial position of the City of Lincoln, Nebraska, as of August 31, 2023, and 2022, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

##### ***Operating Revenues and Expenses***

As an enterprise fund, the System distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the System's principal ongoing operations. The principal operating revenues of the System are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

# **LINCOLN WATER SYSTEM**

## **An Enterprise Fund of the City of Lincoln, Nebraska**

### **Notes to Financial Statements**

August 31, 2023 and 2022

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#### **(1) Organization and Summary of Significant Accounting Policies, (continued)**

##### ***Accounts Receivable and Unbilled Revenues***

Water revenues are recorded based on the related period of customer usage. Billings for water revenues are rendered on a bi-monthly cycle basis. Unbilled revenues, representing estimated consumer usage for the period between the last billing date and the end of the period, are accrued in the period of consumption. Management does not believe an allowance for doubtful accounts is necessary at August 31, 2023 or 2022. Water usage amounts charged together with all other charges and penalties are declared to be a lien on the property until paid.

##### ***Restricted Assets***

Certain proceeds of the System's revenue bonds and resources set aside for their repayment are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. The System impact fees can pay for water supply, transmission mains, pumping and storage reservoirs, and water lines 16-inches and larger.

##### ***Utility Plant (Capital Assets)***

The cost of additions and replacements to utility plant are capitalized. Cost includes labor, materials, payments to contractors, and equipment use. Contributed assets are capitalized at their acquisition value at the date of contribution. The cost of property retired, together with removal cost, less salvage, is charged to accumulated depreciation at such time as property is removed from service, except for land, on which gain or loss is recognized upon disposition. Expenses for maintenance and repairs are charged to current expenses. Items with a cost greater than \$5,000 are capitalized. Items less than \$5,000 may be capitalized if they belong to a larger asset or if documentation is received stating that significant additions will be made to the item in the near future.

Depreciation expense is calculated using the composite and straight-line methods over the estimated useful lives of the assets. The following estimated useful lives are being used by the System:

Buildings and improvements	5 - 50 years
Infrastructure	33 - 100 years
Furniture, fixtures and equipment	5 - 15 years

##### ***Deposits and Investments***

The City Treasurer is responsible for the safekeeping of cash and invested funds of the System. The City is authorized to invest in certificates of deposit, time deposits, and any securities in which the State investment officer is authorized to invest pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act and as provided in the authorized investment guidelines of the Nebraska Investment Council and the City Investment Policy in effect on the date the investment is made. Cash balances in excess of current requirements are invested along with funds from other city funds, and the interest earned on these investments is allocated monthly to the various fund by the City Treasurer on a pro rata basis of average cash balances.

# **LINCOLN WATER SYSTEM**

## **An Enterprise Fund of the City of Lincoln, Nebraska**

### **Notes to Financial Statements**

August 31, 2023 and 2022

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#### **(1) Organization and Summary of Significant Accounting Policies, (continued)**

For purposes of the Statements of Cash Flows, the System considers cash on hand and in the bank, as well as cash and equity in pooled cash and investments held by the City Treasurer, which are readily convertible to known amounts of cash and have original maturities of three months or less, to be cash and cash equivalents.

The System participates in a cash management pool, managed by the City. The pool consists of bank deposits and investments. The System's interest in this pool is shown as equity in pooled cash and investments in the statements of net position. Fair value of the equity in the pool is the same as the value of the pool shares determined using the fair value of the pool's underlying investment portfolio.

Investment income includes interest income and the net change for the year in the fair value of investments.

U.S. Agency obligations are reported at fair value.

#### ***Capital Contributions***

Developer contributions are water system improvements made to developments. Revenues from developer contributions are recorded at acquisition value when the development is complete. These are considered imposed non-exchange transactions.

Tap fees are the charges for customers to tap into the System and revenues are recorded at the amount received when they are received.

Impact Fees are charges levied against new construction, changes in land use, or an increase in water meter size to help generate revenue to build new infrastructure needed because of development. These fees are used by the System to defray the cost of acquiring, constructing or improving capital assets, and are therefore not reported as operating revenue.

#### ***Unamortized Premium on Revenue Bonds***

The premiums received on bond issuances are being amortized over the life of the bonds using a method that approximates the effective interest method.

#### ***Inventories***

Inventories of materials and supplies are stated at the lower of cost or market. Cost is generally determined on a weighted-average basis.

#### ***Deferred Outflows of Resources***

Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The System has two items that qualify for reporting in this capacity. 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

# LINCOLN WATER SYSTEM

## An Enterprise Fund of the City of Lincoln, Nebraska

### Notes to Financial Statements

August 31, 2023 and 2022

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#### (1) Organization and Summary of Significant Accounting Policies, (continued)

using the straight-line method which approximates the effective interest rate method. Deferred outflows for Other Postemployment Benefits (OPEB) include OPEB related amounts not yet recognized within OPEB expense.

##### ***Deferred Inflows of Resources***

Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The System has one item that qualifies for reporting in this capacity. Deferred inflows for Other Postemployment Benefits (OPEB) include OPEB related amounts not yet recognized against OPEB expense.

##### ***Revenues***

Water usage is billed on a two-month cycle for substantially all customers. Unbilled revenues, representing estimated consumer usage for the period between the last billing date and the end of the period, are accrued in the period of consumption.

The City Council sets the rate schedule for the System. The following rates were in effect for the years ended August 31, 2023, and 2022:

	<u>August 31, 2023</u>	<u>August 31, 2022</u>
<u>Water Usage</u>		
Residential:		
100 to 800 cubic feet	\$ 1.748	\$ 1.665
801 to 2,300 cubic feet	2.485	2.367
2,301 and up	3.778	3.598
Nonresidential low volume user:		
100 to 8,000 cubic feet	1.748	1.665
8,001 and up	2.485	2.367
Nonresidential high-volume user:		
Base usage which is average water usage for previous three calendar years	1.659 to 1.830	1.58 to 1.743
<u>Service Charge</u>		
5/8 inch	\$ 8.54	\$ 8.13
5/8 x 3/4 inch	12.90	12.29
3/4 inch	12.90	12.29
1 inch	21.54	20.51
1 ½ inch	42.97	40.92
2-inch	68.75	65.48
3-inch	128.99	122.85
4-inch	215.02	204.78
6-inch	429.95	409.48
8-inch	687.94	655.18
10-inch	988.97	941.88

# LINCOLN WATER SYSTEM

## An Enterprise Fund of the City of Lincoln, Nebraska

### Notes to Financial Statements

August 31, 2023 and 2022

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#### (1) Organization and Summary of Significant Accounting Policies, (continued)

In August 2022, the Lincoln City Council approved rate increases for the next two years. The first rate increase of 5% was effective in November 2022 and the second rate increase of 5% will be effective in November 2023.

##### ***Costs Recoverable from Future Billings***

Certain income and expense items which would be recognized during the current period are not included in the determination of the change in net position until such costs are expected to be recovered through rates, in accordance with the regulated operations provisions of GASB Statement No. 62. Costs recoverable from future billings are comprised of charges incurred in relation to the System's bond issuances.

##### ***Net Position Classification***

Net position is required to be classified into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

***Net investment in capital assets*** - consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt or liabilities that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.

***Restricted*** - consists of restricted assets, reduced by liabilities related to those assets, with constraints placed on their use either by a) external groups such as creditors (such as through debt covenants), contributors, or laws or regulations of other governments or b) law through constitutional provisions or enabling legislation.

***Unrestricted*** - consists of the assets and deferred outflows of resources, less liabilities, and deferred inflows of resources that are not included in the net investment in capital assets or restricted components of net position.

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

##### ***Compensated Absences***

Employees earn vacation days at varying rates dependent on years of service. In the event of termination, an employee is reimbursed for accumulated vacation time up to a maximum allowed accumulation. Employees earn sick leave at the rate of approximately one day per month. Upon retirement, death, or reduction in force, an employee or their beneficiary is reimbursed for a percentage of accumulated sick leave, depending on the employees' bargaining unit contract, which may in some cases be placed directly in a medical spending account instead of reimbursing the employee directly. The System accrues for vacation, sick leave, and other compensated absences with similar characteristics.

# LINCOLN WATER SYSTEM

## An Enterprise Fund of the City of Lincoln, Nebraska

### Notes to Financial Statements

August 31, 2023 and 2022

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#### (1) Organization and Summary of Significant Accounting Policies, (continued)

Compensated absences of the System at August 31, 2023 and 2022 are summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
August 31, 2023	\$2,052,296	719,120	624,532	2,146,884	604,079
August 31, 2022	\$1,708,301	893,589	549,594	2,052,296	624,532

#### *Use of Estimates*

Management of the System has made a number of estimates and assumptions relating to the amounts reported in the financial statements and accompanying notes, to prepare these financial statements in accordance with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

#### *Revision*

During 2023, the System revised the presentation of sales tax receipts and payments for sales tax activity for the year ended at August 31, 2022 within the statement of cash flows as follows:

	As Previously Reported	Revision	As Revised
Receipts from customers and users	\$50,388,770	(\$1,745,179)	\$48,643,591
Sales tax receipts	-	1,745,179	1,745,179
Payments to suppliers	(12,252,108)	1,184,456	(11,067,652)
Payments for sales tax	-	(1,184,456)	(1,184,456)

These revisions had no effect on beginning net position or the change in net position.

#### (2) Deposits, Investments, and Investment Return

##### *Deposits*

State statutes require banks either to provide bond or may give security as provided in the Public Funds Deposit Security Act to the City Treasurer in the amount of the City's deposits. The statutes allow pledged securities to be reduced by the amount insured by the Federal Deposit Insurance Corporation (FDIC). The System has been allocated a portion of the City's pooled cash and investments. The City's cash deposits, including certificates of deposit, are insured up to \$250,000 by the FDIC. Any cash deposits or certificates of deposit in excess of the \$250,000 FDIC limits are covered by collateral held in a Federal Reserve Bank pledge account or by an agent for the City, or a letter of credit issued by a Federal Reserve Bank and thus no custodial risk exists. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

# LINCOLN WATER SYSTEM

## An Enterprise Fund of the City of Lincoln, Nebraska

### Notes to Financial Statements

August 31, 2023 and 2022

## (2) Deposits, Investments, and Investment Return, (continued)

### *Investments*

The City may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. Government Sponsored agencies and instrumentalities and in bank repurchase agreements. It may also invest to limited extent in corporate bonds, bankers' acceptances, and collateralized investment agreements.

### *Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment securities that are in the possession of an outside party.

### *Fair Value Measurements*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The System categorizes its assets and liabilities measured at fair value within the hierarchy established by generally accepted accounting principles. Assets and liabilities valued at fair value are categorized based on inputs to valuation techniques as follows:

**Level 1 input:** Quoted prices for identical assets or liabilities in an active market.

**Level 2 input:** Inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.

**Level 3 input:** Inputs that are unobservable for the asset or liability which are typically based upon the System's own assumptions as there is little, if any, related market activity.

**Hierarchy:** The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

At August 31, 2023 and 2022, the System had the following investments, maturities and fair value measurements:

Type	August 31, 2023				Fair Value Measurement
	Carrying Value	Maturities in Years			
		Less than 1	1 - 5	6 - 10	
U.S. Government					
Sponsored Agencies	\$4,080,833	\$ -	\$3,283,130	\$797,703	Level 2
	\$4,080,833	\$ -	\$3,283,130	\$797,703	

# LINCOLN WATER SYSTEM

## An Enterprise Fund of the City of Lincoln, Nebraska

### Notes to Financial Statements

August 31, 2023 and 2022

Type	Carrying Value	August 31, 2022			Fair Value Measurement
		Maturities in Years			
		Less than 1	1 - 5	6 - 10	
U.S. Government					
Sponsored Agencies	\$4,214,351	\$ -	\$3,396,009	\$818,342	Level 2
	\$4,214,351	\$ -	\$3,396,009	\$818,342	

#### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits current operating funds to be invested with maturities of no longer than twenty-four months. Fixed income investments in construction funds, operating funds, and other nonoperating funds are limited to ten-year maturities.

#### *Credit Risk*

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of August 31, 2023, and 2022, the System investments in U.S. Government Sponsored Agencies not directly guaranteed by the United States Government were rated AA+ by Standard & Poor's (S & P) and Aaa by Moody's Investors Service (Moody's).

#### *Concentration of Credit Risk*

The City's investment policy places various limits on the amount that may be invested in any one issuer. Per the policy, allocations limits do not apply to the investment of debt proceeds. These investments shall be governed by the debt covenant included in the debt instrument. Non-compliance due to a decrease in investment balance does not require corrective action. The investments mentioned below were made with funds from the bond debt reserve funds established. Concentrations greater than 5% at August 31 are shown below:

	2023	2022
Federal Farm Credit Banks	5.5%	7.5%

The carrying amount of equity interests in pooled cash and investments at August 31, 2023 and 2022 are:

	2023	2022
Equity in pooled cash and investments	\$65,273,467	\$48,698,865

# LINCOLN WATER SYSTEM

## An Enterprise Fund of the City of Lincoln, Nebraska

### Notes to Financial Statements

August 31, 2023 and 2022

#### (2) Deposits, Investments, and Investment Return, (continued)

##### *Investment Income (Loss)*

Investment income (loss) for the years ended August 31, 2023 and 2022 consisted of:

	<b>2023</b>	<b>2022</b>
Interest and dividend income	\$191,121	\$185,228
Net change in fair value of investments	(129,058)	(497,357)
	<u>\$62,063</u>	<u>(\$312,129)</u>

#### (3) Inventories

Balances of the major classes of inventory at August 31, 2023 and 2022, are shown below:

	<b>2023</b>	<b>2022</b>
Heavy materials	\$2,099,371	\$1,620,978
Diesel fuel	103,780	103,780
Water meters and parts	536,264	481,257
Chemicals	112,217	64,979
Total inventories	<u>\$2,851,632</u>	<u>\$2,270,994</u>

**LINCOLN WATER SYSTEM**  
**An Enterprise Fund of the City of Lincoln, Nebraska**

Notes to Financial Statements

August 31, 2023 and 2022

**(4) Utility Plant**

Utility plant is summarized by major classification at August 31, 2023 as follows:

Asset Class	Capital Assets				Accumulated Depreciation				Net Capital Assets	
	August 31, 2022	Increases/ Transfers	Decreases/ Transfers	August 31, 2023	August 31, 2022	Increases	Decreases	August 31, 2023	August 31, 2023	
Airport	\$ 42,172	\$ -	\$ -	\$ 42,172	\$ (31,232)	\$ (422)	\$ -	\$ (31,654)	\$ 10,518	
Structures and improvements	87,711,859	221,111	-	87,932,970	(40,883,853)	(1,704,919)	-	(42,588,772)	45,344,198	
Reservoirs	39,941,762	-	-	39,941,762	(19,143,761)	(699,687)	-	(19,843,448)	20,098,314	
Other power and production equipment	20,402,606	7,641	-	20,410,247	(3,036,436)	(392,877)	-	(3,429,313)	16,980,934	
Electric pumping equipment	28,164,656	-	-	28,164,656	(15,075,345)	(516,011)	-	(15,591,356)	12,573,300	
Purification system	37,493,736	-	-	37,493,736	(18,944,145)	(814,044)	-	(19,758,189)	17,735,547	
Transmission mains	85,924,614	-	-	85,924,614	(28,363,086)	(1,276,671)	-	(29,639,757)	56,284,857	
Distribution mains and accessories	231,183,644	9,069,020	-	240,252,664	(48,888,734)	(2,907,990)	-	(51,796,724)	188,455,940	
Hydrants	4,844,227	-	-	4,844,227	(4,246,816)	(63,755)	-	(4,310,571)	533,656	
Office furniture and equipment	2,816,802	35,939	-	2,852,741	(2,521,461)	(42,116)	-	(2,563,577)	289,164	
Shop equipment	199,383	-	-	199,383	(197,863)	-	-	(197,863)	1,520	
Laboratory equipment	902,535	101,041	-	1,003,576	(684,384)	(72,267)	-	(756,651)	246,925	
Tools and work equipment	616,701	20,852	-	637,553	(496,416)	(34,771)	-	(531,187)	106,366	
Communications system	4,236,852	555,246	-	4,792,098	(2,278,047)	(195,320)	-	(2,473,367)	2,318,731	
Meters	18,597,339	760,706	-	19,358,045	(13,522,211)	(649,367)	-	(14,171,578)	5,186,467	
Vehicles	4,287,832	370,152	(56,713)	4,601,271	(3,226,813)	(145,214)	56,713	(3,315,314)	1,285,957	
<b>Total depreciable assets</b>	<b>567,366,720</b>	<b>11,141,708</b>	<b>(56,713)</b>	<b>578,451,715</b>	<b>(201,540,603)</b>	<b>(9,515,431)</b>	<b>56,713</b>	<b>(210,999,321)</b>	<b>367,452,394</b>	
Land and land rights	5,855,699	54	-	5,855,753	-	-	-	-	5,855,753	
Construction in progress	5,357,844	14,655,514	(9,669,833)	10,343,525	-	-	-	-	10,343,525	
<b>Total nondepreciable assets</b>	<b>11,213,543</b>	<b>14,655,568</b>	<b>(9,669,833)</b>	<b>16,199,278</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,199,278</b>	
<b>Total capital assets</b>	<b>\$ 578,580,263</b>	<b>\$ 25,797,276</b>	<b>\$ (9,726,546)</b>	<b>\$ 594,650,993</b>	<b>\$ (201,540,603)</b>	<b>\$ (9,515,431)</b>	<b>\$ 56,713</b>	<b>\$ (210,999,321)</b>	<b>\$ 383,651,672</b>	

The composite depreciation rate was approximately 1.64% in 2023.

**LINCOLN WATER SYSTEM**  
**An Enterprise Fund of the City of Lincoln, Nebraska**

Notes to Financial Statements

August 31, 2023 and 2022

**(4) Utility Plant**

Utility plant is summarized by major classification at August 31, 2022 as follows:

Asset Class	Capital Assets				Accumulated Depreciation				Net Capital Assets
	August 31, 2021	Increases/ Transfers	Decreases/ Transfers	August 31, 2022	August 31, 2021	Increases	Decreases	August 31, 2022	August 31, 2022
Airport	\$ 42,172	\$ -	\$ -	\$ 42,172	\$ (30,810)	\$ (422)	\$ -	\$ (31,232)	\$ 10,940
Structures and improvements	86,774,768	937,091	-	87,711,859	(39,189,809)	(1,694,044)	-	(40,883,853)	46,828,006
Reservoirs	39,941,762	-	-	39,941,762	(18,438,825)	(704,936)	-	(19,143,761)	20,798,001
Other power and production equipment	19,343,297	1,059,309	-	20,402,606	(2,649,513)	(386,923)	-	(3,036,436)	17,366,170
Electric pumping equipment	28,164,656	-	-	28,164,656	(14,547,369)	(527,976)	-	(15,075,345)	13,089,311
Purification system	37,340,709	153,027	-	37,493,736	(18,150,590)	(793,555)	-	(18,944,145)	18,549,591
Transmission mains	84,522,497	1,402,117	-	85,924,614	(27,092,441)	(1,270,645)	-	(28,363,086)	57,561,528
Distribution mains and accessories	220,239,598	10,944,046	-	231,183,644	(46,099,196)	(2,789,538)	-	(48,888,734)	182,294,910
Hydrants	4,844,227	-	-	4,844,227	(4,180,907)	(65,909)	-	(4,246,816)	597,411
Office furniture and equipment	2,708,751	108,051	-	2,816,802	(2,489,371)	(32,090)	-	(2,521,461)	295,341
Shop equipment	199,383	-	-	199,383	(197,863)	-	-	(197,863)	1,520
Laboratory equipment	861,731	40,804	-	902,535	(625,792)	(58,592)	-	(684,384)	218,151
Tools and work equipment	586,319	30,382	-	616,701	(459,433)	(36,983)	-	(496,416)	120,285
Communications system	4,221,603	15,249	-	4,236,852	(2,089,668)	(188,379)	-	(2,278,047)	1,958,805
Meters	17,920,887	676,452	-	18,597,339	(12,857,146)	(665,065)	-	(13,522,211)	5,075,128
Vehicles	3,997,944	447,043	(157,155)	4,287,832	(3,269,809)	(114,159)	157,155	(3,226,813)	1,061,019
<b>Total depreciable assets</b>	<b>551,710,304</b>	<b>15,813,571</b>	<b>(157,155)</b>	<b>567,366,720</b>	<b>(192,368,542)</b>	<b>(9,329,216)</b>	<b>157,155</b>	<b>(201,540,603)</b>	<b>365,826,117</b>
Land and land rights	5,756,983	98,716	-	5,855,699	-	-	-	-	5,855,699
Construction in progress	6,174,930	11,697,915	(12,515,001)	5,357,844	-	-	-	-	5,357,844
<b>Total nondepreciable assets</b>	<b>11,931,913</b>	<b>11,796,631</b>	<b>(12,515,001)</b>	<b>11,213,543</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,213,543</b>
<b>Total capital assets</b>	<b>\$ 563,642,217</b>	<b>\$ 27,610,202</b>	<b>\$ (12,672,156)</b>	<b>\$ 578,580,263</b>	<b>\$ (192,368,542)</b>	<b>\$ (9,329,216)</b>	<b>\$ 157,155</b>	<b>\$ (201,540,603)</b>	<b>\$ 377,039,660</b>

The composite depreciation rate was approximately 1.64% in 2022.

# LINCOLN WATER SYSTEM

## An Enterprise Fund of the City of Lincoln, Nebraska

### Notes to Financial Statements

August 31, 2023 and 2022

#### (5) Long-term Liabilities

Long-term debt of the System at August 31, 2023 and 2022 is summarized below:

Type of Debt	2023				
	August 31, 2022	Additions	Reductions	August 31, 2023	Due Within One Year
1.0% - 5.0% Water Revenue Bonds, Refunding Series 2013. Interest due semi-annually on February 15 and August 15. Principal payments due annually on August 15 through 2025. Redeemable at par on or after August 15, 2023.	\$ 7,610,000	\$ -	\$ 2,620,000	\$ 4,990,000	\$ 2,705,000
3.0% - 5.0% Water Revenue Bonds, Refunding Series 2019. Interest due semi-annually on February 15 and August 15. Principal payments due annually on August 15 through 2034. Redeemable at par on or after August 15, 2029.	8,720,000	-	535,000	8,185,000	565,000
2.25% Nebraska Department of Environment and Energy (NDEE)* 2011 project loan payable. Principal and interest due semi-annually on June 15 and December 15, with final payment in 2034. (1)	9,627,501	-	707,307	8,920,194	723,310
Unamortized premium on bonds	2,080,319	-	310,876	1,769,443	-
Total long-term debt	<u>\$28,037,820</u>	<u>\$ -</u>	<u>\$4,173,183</u>	<u>\$23,864,637</u>	<u>\$3,993,310</u>

(1) Subject to acceleration if the System defaults (Direct borrowing).

\* Nebraska Department of Environment and Energy (NDEE) was previously known as Nebraska Department of Environmental Quality (NDEQ).

**LINCOLN WATER SYSTEM****An Enterprise Fund of the City of Lincoln, Nebraska**

## Notes to Financial Statements

August 31, 2023 and 2022

**(5) Long-term Liabilities (continued)**

<b>2022</b>					
<b>Type of Debt</b>	<b>August 31, 2021</b>	<b>Additions</b>	<b>Reductions</b>	<b>August 31, 2022</b>	<b>Due Within One Year</b>
1.0% - 4.0% Water Revenue Bonds, Refunding Series 2012. Interest due semi-annually on February 15 and August 15. Principal payments due annually on August 15 through 2022.	\$ 965,000	\$ -	\$965,000	\$ -	\$ -
1.0% - 5.0% Water Revenue Bonds, Refunding Series 2013. Interest due semi-annually on February 15 and August 15. Principal payments due annually on August 15 through 2025. Redeemable at par on or after August 15, 2023.	10,150,000	-	2,540,000	7,610,000	2,620,000
3.0% - 5.0% Water Revenue Bonds, Refunding Series 2019. Interest due semi-annually on February 15 and August 15. Principal payments due annually on August 15 through 2034. Redeemable at par on or after August 15, 2029.	9,225,000	-	505,000	8,720,000	535,000
2.25% Nebraska Department of Environment and Energy (NDEE)* 2011 project loan payable. Principal and interest due semi-annually on June 15 and December 15, with final payment in 2034. (1)	10,319,158	-	691,657	9,627,501	707,307
Unamortized premium on bonds	2,493,869	-	413,550	2,080,319	-
Total long-term debt	<u>\$33,153,027</u>	<u>\$ -</u>	<u>\$5,115,207</u>	<u>\$28,037,820</u>	<u>\$3,862,307</u>

In connection with these bond issues the System is required, among other things, to maintain certain financial conditions and the System's ability to issue new debt is restricted.

(1) Subject to acceleration if the System defaults (Direct borrowing).

\* Nebraska Department of Environment and Energy (NDEE) was previously known as Nebraska Department of Environmental Quality (NDEQ).

## LINCOLN WATER SYSTEM

### An Enterprise Fund of the City of Lincoln, Nebraska

#### Notes to Financial Statements

August 31, 2023 and 2022

#### (5) Long-term Liabilities (continued)

Maturities and sinking fund requirements on long-term debt at August 31, 2023 are as follows:

Due years ending August 31	Bonds		Loans		Total
	Principal	Interest	Principal	Interest	
2024	\$ 3,270,000	\$ 539,200	\$ 723,310	\$ 196,659	\$ 4,729,169
2025	2,880,000	402,750	739,677	180,292	4,202,719
2026	625,000	281,600	756,413	163,556	1,826,569
2027	665,000	250,350	773,528	146,441	1,835,319
2028	705,000	217,100	791,030	128,939	1,842,069
2029 – 2033	4,105,000	574,650	4,231,865	367,982	9,279,497
2034 – 2038	925,000	27,750	904,371	15,288	1,872,409
Total	\$13,175,000	\$ 2,293,400	\$ 8,920,194	\$ 1,199,157	\$25,587,751

The System has entered into a loan agreement with Nebraska Department of Environment and Energy (NDEE), borrowing \$14,977,829 to fund certain water system extension and water repairs. The interest rate throughout the term of the loan is 2.25%. In addition, an administrative fee of 1% will be incurred on the loan. The terms of the project loan payable are reflected in the summary of long-term debt.

The City has pledged future revenues derived from the operation of the System, net of operating and maintenance expenses, to repay all outstanding water revenue bonds. Proceeds from the bonds and loans provided financing for improvements to the water supply system, as well as refunding prior water revenue bonds. The bonds and loans are payable solely from the net earnings of the System and are payable through 2034. The total principal and interest remaining to be paid on the bonds and loan is \$25,587,751, with annual payments expected to require approximately 18% of net revenues. Principal and interest paid for the current year and net system revenues were \$4,719,519 and \$33,505,832, respectively.

#### (6) Commitments and Contingencies

##### Construction Commitments:

The System has commitments under major construction contracts in progress of approximately \$24,873,000 at August 31, 2023 to be paid with revenues and bond proceeds.

##### Risk Management:

The System participates in the City's self-insurance program administered by the City's Risk Management Division (the Division). The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. On behalf of the City, the Division purchases insurance and administers funds for its self-insured program. The Division maintains a workers' compensation fund and a self-insurance loss fund. The Division provides first dollar coverage for all liability and workers' compensation exposure with insurance acting as an umbrella or excess coverage. The maximum exposure would be the deductible amounts for property and auto physical damage, as well as losses not covered by insurance. The City had no claims or judgments exceeding the policy limits

## **LINCOLN WATER SYSTEM**

### **An Enterprise Fund of the City of Lincoln, Nebraska**

#### **Notes to Financial Statements**

August 31, 2023 and 2022

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#### **(6) Commitments and Contingencies (continued)**

during each of the last three prior years. Budgeted premium amounts charged to the System are placed in the appropriate fund maintained by the Division. Premium expense was approximately \$763,000 and \$609,000 in 2023 and 2022, respectively.

##### **Litigation:**

The System is involved in lawsuits arising in the ordinary course of activities, including claims regarding construction contract issues, personal injury and discriminatory personnel practices, property condemnation proceedings, and suits contesting the legality of certain taxes. While these cases may have future financial effect, management, based on advice of counsel, believes that their ultimate outcome will not be material to the basic financial statements.

#### **(7) Related Party Transactions**

The City billed the System approximately \$941,000 and \$832,000 for administrative services during 2023 and 2022, respectively. The System also makes payments to Lincoln Electric System (LES), an enterprise fund of the City of Lincoln, for electricity used at the System's operating locations. Payments to LES totaled approximately \$1,448,000 and \$1,263,000 during 2023 and 2022, respectively. At August 31, 2023 and 2022, approximately \$170,000 and \$190,000, respectively are included in accounts payable for amounts owed to LES for electricity used.

A special revenue fund of the City collects and holds impact fees until they are disbursed in accordance with City ordinance. The System was due impact fees of \$9,335,027 and \$7,680,736 as of August 31, 2023 and 2022, respectively.

The City of Lincoln general fund borrowed monies from the pooled cash and investment account. The System's allocated share of the borrowing is \$865,697 and \$987,622 as of August 31, 2023 and 2022, respectively. This amount is reflected as a current asset and is included in Due from Other Funds on the Statements of Net Position.

#### **(8) Pension Plan**

Employees of the System are participants in the City of Lincoln Employees' Retirement Plan. Plan participation is required if the employee has completed five years of continuous service and attained the age of 40. An employee may voluntarily enter the plan upon attaining age 19 and after completing six months of service. The plan is a defined contribution plan requiring employees to contribute to the plan depending on employee class and date of hire. The System contributes between \$1.29 and \$2.00 for every \$1.00 contributed by employees. Plan participants vest in the City's contributions in year three of participation at 20%, up to 100% vesting in year seven. Contributions made by the System were approximately \$636,000 and \$647,000 for 2023 and 2022, respectively. Contributions made by the plan members were approximately \$392,000 and \$390,000 for 2023 and 2022, respectively.

## LINCOLN WATER SYSTEM

### An Enterprise Fund of the City of Lincoln, Nebraska

#### Notes to Financial Statements

August 31, 2023 and 2022

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#### (9) Other Postemployment Benefits (OPEB)

Total OPEB liability activity for the years ended August 31, 2023 and 2022 are summarized below:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
August 31, 2023	\$ 846,876	\$ -	\$ 366,092	\$ 480,784	\$ 22,618
August 31, 2022	802,394	63,058	18,576	846,876	18,477

The current portion of the total OPEB liability is recorded in current accrued liabilities in the Statements of Net Position.

#### ***Plan Description***

The City offers employees and their families the opportunity to continue their health care coverage when there is a qualifying event, such as retirement, that would result in a loss of coverage under the City's plan. Each qualified beneficiary pays the entire cost of premiums for the continuous coverage. The City recognizes as OPEB the implicit rate subsidy provided to retirees when their premium is the "full cost" of the insurer's charge for the active population. Since the retirees have higher costs, the premium they pay is not expected to cover their costs, and the difference is essentially covered by the City's payment for active employees. The City plan is a single-employer defined benefit plan. The City does not issue a separate report that includes financial statements and required supplementary information for OPEB. The City's Annual Comprehensive Financial Report (ACFR) may be obtained by writing to the City of Lincoln, Finance Department, 555 South 10<sup>th</sup> Street, Lincoln, NE 68508.

The System accounts for and reports its participation in the City's single-employer plan as if it was a cost-sharing plan. The System's proportionate share of the total OPEB liability was based on the System's share of active employees relative to all active City employees. At August 31, 2023 and 2022, the System's proportion was 2.84% and 2.95%, respectively.

#### ***Funding Policy***

The plan is a pay-as-you-go and therefore, is not funded. There are no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB 75 in connection with the plan.

#### ***Actuarial Methods and Assumptions***

The total OPEB liability at August 31, 2023 was measured as of August 31, 2022. The actuarial valuation was prepared as of August 31, 2022. The total OPEB liability as of August 31, 2023 is based on the following actuarial assumptions and other inputs:

# LINCOLN WATER SYSTEM

## An Enterprise Fund of the City of Lincoln, Nebraska

### Notes to Financial Statements

August 31, 2023 and 2022

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#### (9) Other Postemployment Benefits (OPEB) (continued)

##### Actuarial Assumptions - FY 2023

Price Inflation	2.25%
Municipal Bond Index Rate	3.38%, monthly average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rate
Health Care Cost Trend Rate	7.00%, decreasing by 0.25% per year until an ultimate rate of 4.50% is reached in 2032
Cost-Sharing Premiums	Premiums, effective as of November 1, 2022, were trended backward to August 31, 2022. Civilian premium rates were based on the base plan and the combined rate for Police and Fire was based on an average for the Police group and Fire group. Premiums trended to August 31, 2022 Police / Fire Retiree - \$10,687 Police / Fire Spouse - \$13,039 Civilians Retiree - \$9,542 Civilians Spouse - \$11,640
Mortality	General Pub-2010 Tables used for Civilians and Safety Pub-2010 Tables used for Police and Fire with generational mortality improvement using the Nebraska Public Retirement System Mortality Improvement Scale.

The Police and Fire demographic actuarial assumptions used in the August 31, 2022 valuation are consistent with those used in the valuation of the Lincoln Police and Fire Pension Plan at that time, which were based on the actuarial experience study covering the four-year period ending August 31, 2018.

The Civilian mortality rate assumption aligns with the Pub-2010 Mortality Tables used for Police and Fire, except they are based on the General population tables to better align with the respective employment groups. Due to the size of the plan and lack of available data to analyze, the withdrawal rates are based on The Basic Service Table from the 2003 SOA Pension Plan Turnover Study and the disability rates are based on rates observed in similar types of plans. The retirement rates were unchanged from the prior valuation as we believe they are reasonable estimates of future experience.

The remaining actuarial assumptions (initial per capita costs, health care cost trends, rate of plan participation, rates of DROP participation, etc.) used in the valuation were based on a review of recent plan experience.

The total OPEB liability at August 31, 2022 was measured as of August 31, 2021. The actuarial valuation was prepared as of August 31, 2020 for members in payment under the plan, and for active members an actuarial valuation was prepared as of September 5, 2020. Active data is not available retroactively, but was provided close to the valuation date. The total OPEB liability as of August 31, 2022 is based on the following actuarial assumptions and other inputs:

## LINCOLN WATER SYSTEM

### An Enterprise Fund of the City of Lincoln, Nebraska

#### Notes to Financial Statements

August 31, 2023 and 2022

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#### (9) Other Postemployment Benefits (OPEB) (continued)

Price Inflation	2.25%
Municipal Bond Index Rate	2.12%, monthly average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rate
Health Care Cost Trend Rate	7.00%, decreasing by 0.25% per year until an ultimate rate of 4.50% is reached in 2030
Cost-Sharing Premiums	<p>Premiums, effective as of November 1, 2020, were trended backward to August 31, 2020. Civilian premium rates were based on the base plan and the combined rate for Police and Fire was based on an average for the Police group and Fire group.</p> <p>Premiums trended to August 31, 2020</p> <p>Police / Fire Retiree - \$10,687</p> <p>Police / Fire Spouse - \$13,039</p> <p>Civilians Retiree - \$9,542</p> <p>Civilians Spouse - \$11,640</p>
Mortality	<p>General Pub-2010 Tables used for Civilians and Safety</p> <p>Pub-2010 Tables used for Police and Fire with generational mortality improvement using the Nebraska Public Retirement System Mortality Improvement Scale.</p>

The Police and Fire demographic actuarial assumptions used in the August 31, 2020 valuation are consistent with those used in the valuation of the Lincoln Police and Fire Pension Plan at that time, which were based on the actuarial experience study covering the four-year period ending August 31, 2018.

The Civilian mortality rate assumption aligns with the Pub-2010 Mortality Tables used for Police and Fire, except they are based on the General population tables to better align with the respective employment groups. Due to the size of the plan and lack of available data to analyze, the withdrawal rates are based on The Basic Service Table from the 2003 SOA Pension Plan Turnover Study and the disability rates are based on rates observed in similar types of plans. The retirement rates were unchanged from the prior valuation as we believe they are reasonable estimates of future experience.

The remaining actuarial assumptions (initial per capita costs, health care cost trends, rate of plan participation, rates of DROP participation, etc.) used in the valuation were based on a review of recent plan experience.

#### ***Deferred Outflows (Inflows) of Resources Related to OPEB, Total OPEB Liability, and OPEB Expense***

At August 31, 2023 and 2022, the System reported a total OPEB liability of \$480,784 and \$846,876, respectively, for its proportionate share of the collective total OPEB liability for the City. For the years ended August 31, 2023 and 2022, the System recognized OPEB expense of \$37,238 and \$87,790, respectively, and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**LINCOLN WATER SYSTEM****An Enterprise Fund of the City of Lincoln, Nebraska**

## Notes to Financial Statements

August 31, 2023 and 2022

**(9) Other Postemployment Benefits (OPEB) (continued)**

	<b>2023</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Benefit payments subsequent to the measurement date	\$ 14,336	\$ -
Differences between expected and actual experience	4,603	295,311
Changes in assumptions	117,533	59,427
Total	<u>\$ 136,472</u>	<u>\$ 354,738</u>

  

	<b>2022</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Benefit payments subsequent to the measurement date	\$ 18,478	\$ -
Differences between expected and actual experience	5,787	3,136
Changes in assumptions	148,918	31,550
Total	<u>\$ 173,183</u>	<u>\$ 34,686</u>

The deferred outflows of resources related to OPEB resulting from the System's benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ending August 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ending August 31,</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
2023	\$ 27,044	\$ (60,836)
2024	27,044	(58,223)
2025	27,044	(52,550)
2026	25,524	(49,928)
2027	15,480	(49,928)
Thereafter	-	(83,273)
	<u>\$ 122,136</u>	<u>\$ (354,738)</u>

***Sensitivity of the Total OPEB Liability to Changes in the Rates***

The following presents the System's proportionate share of the total OPEB liability calculated using health care cost trend rates ranging from 7.00% in 2022 and trending downward to 4.50% in 2032, as well as the System's proportionate share of the total OPEB liability calculated using trend rates that are 1% lower and 1% higher than the current rates:

## LINCOLN WATER SYSTEM

### An Enterprise Fund of the City of Lincoln, Nebraska

#### Notes to Financial Statements

August 31, 2023 and 2022

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#### (9) Other Postemployment Benefits (OPEB) (continued)

	<b>1% Decrease</b>	<b>Current Trend</b>	<b>1% Increase</b>
Total OPEB Liability			
August 31, 2023	\$ 423,829	\$ 480,784	\$ 548,692

The following presents the System's proportionate share of the total OPEB liability calculated using health care cost trend rates ranging from 7.00% in 2020 and trending downward to 4.50% in 2030, as well as the System's proportionate share of the total OPEB liability calculated using trend rates that are 1% lower and 1% higher than the current rates:

	<b>1% Decrease</b>	<b>Current Trend</b>	<b>1% Increase</b>
Total OPEB Liability			
August 31, 2022	\$ 724,645	\$ 846,876	\$ 981,403

The following presents the System's proportionate share of the total OPEB liability, calculated using the discount rate of 3.38% and 2.12% as of August 31, 2023 and 2022, respectively, as well as the System's proportionate share of the total OPEB liability calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	<b>1% Decrease 2.38%</b>	<b>Current Rate 3.38%</b>	<b>1% Increase 4.38%</b>
Total OPEB Liability			
August 31, 2023	\$ 531,477	\$ 480,784	\$ 435,381
	<b>1% Decrease 1.12%</b>	<b>Current Rate 2.12%</b>	<b>1% Increase 3.12%</b>
Total OPEB Liability			
August 31, 2022	\$ 936,838	\$ 846,876	\$ 766,006

#### (10) Subsequent Event

In 2022, the Nebraska State Legislature approved \$20 million in American Rescue Plan Act Funds for the City of Lincoln to be used for work securing a second source of reliable drinking water and approved an additional \$177.2 million appropriation in 2023. These funds must be obligated by December 31, 2024, and spent in accordance with the grant agreement by December 31, 2026.

REQUIRED SUPPLEMENTARY  
INFORMATION

**LINCOLN WATER SYSTEM**  
**An Enterprise Fund of the City of Lincoln, Nebraska**  
**Schedule of the System's Proportionate Share of the Total Other Postemployment Benefit (OPEB) Liability**  
**Measurement Period Ending August 31, 2023**

	2022	2021	2020	2019	2018	2017
The System's proportion of the total OPEB liability	2.84%	2.95%	2.97%	3.43%	3.50%	4.06%
The System's proportionate share of the total OPEB liability	\$ 480,784	\$ 846,876	\$ 802,394	\$ 688,466	\$ 626,556	\$ 760,902
The System's covered payroll	\$ 4,545,179	\$ 4,497,823	\$ 4,476,628	\$ 4,988,252	\$ 4,916,980	\$ 5,610,796
The System's proportionate share of the total OPEB liability as a percentage of its covered payroll	10.58%	18.83%	17.92%	13.80%	12.74%	13.56%

Note: This schedule represents information as of the measurement date of the total OPEB liability. This schedule is required to present 10 years of information. However, information is not available and will be added as it becomes available.

**Notes to Schedule:**

The City of Lincoln has no accumulated assets held in trust to pay related benefits.

Changes in actuarial assumptions:

August 31, 2022 valuation – The discount rate has changed from 2.12% to 3.38% due to a change in the municipal bond rate. The trend rate assumption was adjusted to 7.00% in the first year, decreasing by 0.25% per year until an ultimate rate of 4.50% is reached in 2032.

August 31, 2021 valuation – The discount rate has changed from 2.11% to 2.12% due to a change in the municipal bond rate.

August 31, 2020 valuation – The discount rate has changed from 3.16% to 2.11% due to a change in the municipal bond rate. The inflation rate has changed from 2.50% to 2.25% based on the most recent Lincoln Police and Fire Pension Plan experience study. The mortality assumption was updated to the Pub-2010 family of mortality tables. The Safety tables are used for the Police and Fire members and the General tables are used for the Civilian members. Retirement rates for the Police and Fire members were adjusted to service-based rates. Termination rates were adjusted to service-based rates. Disability rates for Civilians were reduced

at most ages and combined for males and females. The percentage of members assumed to be married was updated from 100% to 90%. The trend rate assumption was adjusted to 7.00% in the first year, decreasing by 0.25% per year until an ultimate rate of 4.50% is reached in 2030.

August 31, 2019 valuation – The discount rate has changed from 3.96% to 3.16% due to a change in the municipal bond rate.

August 31, 2018 valuation – The discount rate has changed from 3.53% to 3.96% due to a change in the municipal bond rate. The trend rate assumption is now 7.25% decreasing by 0.25% per year until an ultimate rate of 4.75% is reached in 2028, which changed from 7.50% for 2016 and 2017, decreasing by 0.50% per year for four years, then decreasing by 0.25% per year until an ultimate rate of 5.00% is reached in 2023.

August 31, 2017 valuation – The discount rate has changed from 2.85% to 3.53% due to a change in the municipal bond rate.

SUPPLEMENTARY  
INFORMATION

**LINCOLN WATER SYSTEM**  
**An Enterprise Fund of the City of Lincoln, Nebraska**

Schedule 1

Summary of Long-Term Debt

August 31, 2023

Due years ending August 31	Series 2013		NDEE Loan (D311548) 2011		Series 2019		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2024	\$ 2,705,000	\$ 199,600	\$ 723,310	\$ 196,659	\$ 565,000	\$ 339,600	\$ 3,993,310	\$ 735,859	\$ 4,729,169
2025	2,285,000	91,400	739,677	180,292	595,000	311,350	3,619,677	583,042	4,202,719
2026	-	-	756,413	163,556	625,000	281,600	1,381,413	445,156	1,826,569
2027	-	-	773,528	146,441	665,000	250,350	1,438,528	396,791	1,835,319
2028	-	-	791,030	128,939	705,000	217,100	1,496,030	346,039	1,842,069
2029-2033	-	-	4,231,865	367,982	4,105,000	574,650	8,336,865	942,632	9,279,497
2034-2038	-	-	904,371	15,288	925,000	27,750	1,829,371	43,038	1,872,409
	\$ 4,990,000	\$ 291,000	\$ 8,920,194	\$ 1,199,157	\$ 8,185,000	\$ 2,002,400	\$ 22,095,194	\$ 3,492,557	\$ 25,587,751

**LINCOLN WATER SYSTEM**  
**An Enterprise Fund of the City of Lincoln, Nebraska**

Schedule 2

**Debt Coverage Ratio**

**Last ten fiscal years**

Fiscal Year Ending	Gross Revenue	Direct Operating Expenses	Net Available Balance	Debt Service Requirement on Revenue Bonds				Debt Service Requirement for all Debt			
				Principal	Interest	Total	Coverage	Principal	Interest	Total	Coverage
2014	34,933,647	16,308,059	18,625,588	3,685,000	1,754,556	5,439,556	3.42	3,923,000	2,044,417	5,967,417	3.12
2015	33,638,554	16,955,058	16,683,496	3,710,000	1,707,831	5,417,831	3.08	4,290,300	2,116,262	6,406,562	2.60
2016	37,985,431	16,969,116	21,016,315	3,740,000	1,647,281	5,387,281	3.90	4,344,979	2,123,746	6,468,725	3.25
2017	38,494,901	17,893,434	20,601,467	3,790,000	1,586,181	5,376,181	3.83	4,408,451	2,021,708	6,430,159	3.20
2018	41,473,196	17,768,444	23,704,752	3,885,000	1,461,731	5,346,731	4.43	4,517,445	1,877,042	6,394,487	3.71
2019	41,761,560	18,197,133	23,564,427	3,990,000	1,354,760	5,344,760	4.41	4,636,755	1,749,403	6,386,157	3.69
2020	44,192,983	19,434,183	24,758,800	4,020,000	1,115,255	5,135,255	4.82	4,681,388	1,488,760	6,170,148	4.01
2021	50,654,404	21,046,449	29,607,955	4,190,000	932,400	5,122,400	5.78	4,866,353	1,284,189	6,150,542	4.81
2022	52,316,638	22,479,192	29,837,446	4,010,000	784,600	4,794,600	6.22	4,701,657	1,012,912	5,714,569	5.22
2023	61,721,651	28,215,819	33,505,832	3,155,000	644,550	3,799,550	8.82	3,862,307	857,212	4,719,519	7.10

**LINCOLN WATER SYSTEM**  
**An Enterprise Fund of the City of Lincoln, Nebraska**

Schedule 3

Utility Plant in Service

August 31, 2023

Asset Class	Capital Assets				Accumulated Depreciation				Net Capital Assets
	August 31, 2022	Increases/ Transfers	Decreases/ Transfers	August 31, 2023	August 31, 2022	Increases	Decreases	August 31, 2023	August 31, 2023
Lincoln Water Plant:									
Airport	\$ 42,172	\$ -	\$ -	\$ 42,172	\$ (31,232)	\$ (422)	\$ -	\$ (31,654)	\$ 10,518
Structures and improvements	18,168,014	-	-	18,168,014	(11,089,636)	(323,506)	-	(11,413,142)	6,754,872
Reservoirs	27,472,634	-	-	27,472,634	(14,580,851)	(514,217)	-	(15,095,068)	12,377,566
Other power and production equipment	1,795,023	-	-	1,795,023	(73,780)	(38,892)	-	(112,672)	1,682,351
Electric pumping equipment	19,405,756	-	-	19,405,756	(7,854,580)	(383,602)	-	(8,238,182)	11,167,574
Purification system	-	-	-	-	1,072	-	-	1,072	1,072
Transmission mains	33,873,541	-	-	33,873,541	(11,860,279)	(410,036)	-	(12,270,315)	21,603,226
Distribution mains and accessories	231,183,644	9,069,020	-	240,252,664	(48,888,734)	(2,907,990)	-	(51,796,724)	188,455,940
Hydrants	4,844,227	-	-	4,844,227	(4,246,816)	(63,755)	-	(4,310,571)	533,656
Office furniture and equipment	2,703,558	35,939	-	2,739,497	(2,428,338)	(38,632)	-	(2,466,970)	272,527
Shop equipment	181,432	-	-	181,432	(179,912)	-	-	(179,912)	1,520
Laboratory equipment	49,984	-	-	49,984	(22,710)	(4,273)	-	(26,983)	23,001
Tools and work equipment	465,293	20,852	-	486,145	(355,470)	(28,632)	-	(384,102)	102,043
Communications system	1,559,161	555,246	-	2,114,407	(1,035,020)	(34,159)	-	(1,069,179)	1,045,228
Meters	18,597,339	760,706	-	19,358,045	(13,522,211)	(649,367)	-	(14,171,578)	5,186,467
Lincoln depreciable assets	360,341,778	10,441,763	-	370,783,541	(116,168,497)	(5,397,483)	-	(121,565,980)	249,217,561
Land and land rights	2,012,533	54	-	2,012,587	-	-	-	-	2,012,587
Lincoln nondepreciable assets	2,012,533	54	-	2,012,587	-	-	-	-	2,012,587
Total Lincoln plant	362,354,311	10,441,817	-	372,796,128	(116,168,497)	(5,397,483)	-	(121,565,980)	251,230,148
Ashland Water Plant:									
Structures and improvements	69,543,845	221,111	-	69,764,956	(29,794,217)	(1,381,413)	-	(31,175,630)	38,589,326
Reservoirs	12,469,128	-	-	12,469,128	(4,562,910)	(185,470)	-	(4,748,380)	7,720,748
Transmission mains	52,051,073	-	-	52,051,073	(16,502,807)	(866,635)	-	(17,369,442)	34,681,631
Office furniture and equipment	113,244	-	-	113,244	(93,123)	(3,484)	-	(96,607)	16,637
Shop equipment	17,951	-	-	17,951	(17,951)	-	-	(17,951)	-
Laboratory equipment	852,551	101,041	-	953,592	(661,674)	(67,994)	-	(729,668)	223,924
Other power and production equipment	18,607,583	7,641	-	18,615,224	(2,962,656)	(353,985)	-	(3,316,641)	15,298,583
Electric pumping equipment	8,758,900	-	-	8,758,900	(7,220,765)	(132,409)	-	(7,353,174)	1,405,726
Purification system	37,493,736	-	-	37,493,736	(18,945,217)	(814,044)	-	(19,759,261)	17,734,475
Communications Systems	2,677,691	-	-	2,677,691	(1,243,027)	(161,161)	-	(1,404,188)	1,273,503
Tools and work equipment	151,408	-	-	151,408	(140,946)	(6,139)	-	(147,085)	4,323
Ashland depreciable assets	202,737,110	329,793	-	203,066,903	(82,145,293)	(3,972,734)	-	(86,118,027)	116,948,876
Land and land rights	3,843,166	-	-	3,843,166	-	-	-	-	3,843,166
Ashland nondepreciable assets	3,843,166	-	-	3,843,166	-	-	-	-	3,843,166
Total Ashland plant	206,580,276	329,793	-	206,910,069	(82,145,293)	(3,972,734)	-	(86,118,027)	120,792,042
Vehicles and work equipment (all locations)	4,287,832	370,152	(56,713)	4,601,271	(3,226,813)	(145,214)	56,713	(3,315,314)	1,285,957
Utility plant in service	\$ 573,222,419	\$ 11,141,762	\$ (56,713)	\$ 584,307,468	\$ (201,540,603)	\$ (9,515,431)	\$ 56,713	\$ (210,999,321)	\$ 373,308,147
Construction in progress	5,357,844	14,655,514	(9,669,833)	10,343,525	-	-	-	-	10,343,525
Total capital assets	\$ 578,580,263	\$ 25,797,276	\$ (9,726,546)	\$ 594,650,993	\$ (201,540,603)	\$ (9,515,431)	\$ 56,713	\$ (210,999,321)	\$ 383,651,672

**LINCOLN WATER SYSTEM**  
**An Enterprise Fund of the City of Lincoln, Nebraska**

Schedule 4

**GENERAL STATISTICS**

**Year Ended August 31, 2023**

(Unaudited)

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Altitude of Lincoln, Nebraska .....	1,167 Feet
Area of Lincoln, Nebraska .....	100.51 Square Miles
Population .....	295,501 Estimate
Source of Water Supply .....	Wells
Location of Supply - Platte River, Ashland, Nebraska	
Maximum Well Capacity – Ashland .....	214 Million Gallons per day
Treatment of Water - Ashland West Plant .....	Aeration; Chlorination; Detention; Rapid Sand Filtration; and Chloramination
Treatment of Water - Ashland East Plant .....	Ozonation; Rapid Sand Filtration; and Chloramination
Rainfall for Year Ended August 31, 2023 .....	22.53
Kind and Size of Distribution Mains Used .....	Cast Iron/Ductile Iron/PVC/Concrete 4 Inches to 48 Inches
Kind and Size of Transmission Mains from Ashland to Lincoln .....	36-Inch Cast Iron 48-Inch Concrete 54 / 60-Inch Steel
Length of Transmission Mains from Wellfield to Lincoln .....	73 Miles
Total Miles of Distribution Mains in Use:	
Miles in use September 1, 2022	1,203.6
Estimated Added During Year	75.2
Estimated Removed During Year	4.1
Total as of August 31, 2023 .....	1,274.7 Miles
Amount of Water Pumped During Year Ended August 31, 2023 .....	14,463,689,000 gallons
Average Daily Consumption of Water .....	39,626,545 gallons
Average Daily Consumption Per Capita .....	132 gallons per day per capita
Total Number of Active Residential Water Customers End of Fiscal Year .....	84,507
Total Number of Active Non-Residential Water Customers End of Fiscal Year .....	5,228
Total Debt of Lincoln Water System at August 31, 2023 .....	\$22,095,194

**LINCOLN WATER SYSTEM**  
**An Enterprise Fund of the City of Lincoln, Nebraska**

**TOP TEN CUSTOMERS**

**Year Ended August 31, 2023**

(Unaudited)

	<b>USAGE</b> (HCF)	<b>AMOUNT</b> (\$)
1. University of Nebraska	475,637	\$1,025,780
2. State of Nebraska	300,714	718,920
3. City of Lincoln - Parks & Rec	289,324	685,292
4. Archer Daniels Midland Co	270,581	443,348
5. AH 42 LLC	220,027	361,872
6. City of Lincoln	156,149	358,753
7. Lincoln Public Schools	155,111	338,423
8. Smithfield Packaged Meats	149,407	276,203
9. Bryan Health	130,373	316,874
10. Veyance Technologies Inc.	127,800	288,479
Top Ten Users Total	2,275,123	\$ 4,813,945

**LINCOLN WATER SYSTEM**  
**An Enterprise Fund of the City of Lincoln, Nebraska**

Schedule 6

**COMPARATIVE PUMPING REPORT**

For Fiscal Years as Shown by Gallons

(Unaudited)

<b>MONTH</b>	<b>August 31,2023</b>	<b>August 31,2022</b>	<b>August 31, 2021</b>	<b>August 31, 2020</b>	<b>August 31, 2019</b>
<b>September</b>	1,681,076,673	1,459,399,238	1,366,431,593	1,303,338,007	1,118,530,000
<b>October</b>	1,301,447,964	1,226,047,072	1,120,770,501	877,391,540	885,500,000
<b>November</b>	841,963,494	826,368,427	766,800,154	773,648,779	775,770,000
<b>December</b>	831,877,147	805,795,725	770,392,157	758,809,331	788,900,000
<b>January</b>	834,838,077	826,288,428	797,528,596	752,903,780	797,900,000
<b>February</b>	753,085,980	747,048,879	755,352,307	721,612,879	728,090,000
<b>March</b>	819,023,473	838,803,018	835,042,692	764,714,547	773,090,000
<b>April</b>	1,071,903,722	924,125,089	924,534,158	833,992,145	859,620,000
<b>May</b>	1,608,807,631	1,092,764,637	1,066,917,847	1,006,963,519	929,250,000
<b>June</b>	1,679,272,048	1,324,250,763	1,542,960,213	1,300,935,234	1,022,450,000
<b>July</b>	1,428,271,875	1,693,270,111	1,646,673,764	1,421,182,548	1,630,220,000
<b>August</b>	1,612,121,304	1,926,434,810	1,685,375,357	1,578,981,113	1,327,380,000
<b>Total</b>	<b>14,463,689,387</b>	<b>13,700,596,196</b>	<b>13,278,779,339</b>	<b>12,094,473,422</b>	<b>11,636,700,000</b>

**LINCOLN WATER SYSTEM**  
**An Enterprise Fund of the City of Lincoln, Nebraska**

**Annual Rainfall (by month)**

**Last ten fiscal years**

(Unaudited)

	30 Yr Avg	125 Yr Avg	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
September	2.87	3.14	0.60	0.97	1.62	3.40	7.13	1.85	3.38	4.93	6.89	1.99
October	2.27	1.98	1.42	0.61	0.40	4.69	2.71	4.90	1.86	0.50	2.46	2.83
November	1.32	1.28	0.56	0.26	1.20	0.79	1.19	0.07	0.65	1.98	0.47	1.22
December	1.14	0.89	1.71	0.64	1.20	2.57	3.32	0.38	1.59	4.42	1.22	0.22
January	0.74	0.68	1.32	0.28	1.53	1.29	0.75	0.41	1.10	0.83	0.91	0.24
February	0.92	0.93	1.29	0.03	0.79	0.13	1.59	0.74	0.55	0.76	0.93	0.62
March	1.52	1.59	0.63	1.96	5.23	1.67	2.65	2.71	1.62	0.93	0.77	0.13
April	2.53	2.57	0.59	3.05	1.74	0.88	1.13	0.67	3.55	4.37	1.99	3.50
May	4.67	3.91	0.51	5.27	2.55	5.09	7.29	2.23	6.29	5.42	10.90	5.26
June	4.33	4.19	4.53	3.73	4.46	3.15	4.38	8.83	7.35	0.58	7.66	5.90
July	2.84	3.39	5.61	2.57	1.73	5.73	4.08	1.35	5.99	4.67	2.39	0.51
August	3.40	3.49	3.76	0.55	3.41	1.27	2.79	4.35	3.38	3.83	3.78	7.54
Total	28.55	28.03	22.53	19.92	25.86	30.66	39.01	28.49	37.31	33.22	40.37	29.96

**LINCOLN WATER SYSTEM**  
**An Enterprise Fund of the City of Lincoln, Nebraska**

WATER ANALYSIS

(All Results in Parts Per Million)  
(Collected August 14, 2023)  
(Unaudited)

550 W. Cornhusker Hwy.

Hydrogen Ion Concentration (pH) .....	7.88
Total Dissolved Solids.....	352 ppm.
Total Iron (Fe) .....	<0.050 ppm.
Manganese (Mn).....	<0.0005 ppm.
Calcium (as Ca) .....	49.4ppm.
Total Alkalinity (CaCO <sub>3</sub> ).....	160 ppm.
Chloride (Cl).....	26.1 ppm.
Fluoride (F) .....	0.84 ppm.
Nitrate (+Nitrite) .....	0.29 ppm.
Sodium (Na).....	34 ppm.
Hardness as (CaCO <sub>2</sub> )	
Total Hardness .....	188 ppm.

(All above analysis made in accordance with Standard Methods for Water and Wastewater, 20th Ed.)

**Lincoln Water System**  
**An Enterprise Fund of the City of Lincoln, Nebraska**

Summary of Insurance Coverage

August 31, 2023

(Unaudited)

Type of policy	Insurance coverage	Policy limits	Self-insured retention deductible	Department self-insurance deductible	Insurance carrier	Policy number
Automobile Fleet Liability	Self-Insured Excess Coverage Excess Coverage	0 – 400,000 400,000 - 1,000,000 1,000,000 - 6,000,000	400,000		States	3000027-6
Automobile Fleet Physical Damage**	Self-Insured	Actual cash value	2,500	2,500		
Building and Contents (Includes Boiler & Machinery)	Blanket policy - buildings and contents	Replacement cost	250,000	50,000	FM Global	1104345
Money and Securities	Inside/outside premises	3,000,000	50,000	10,000	Hanover	BDCJ13667400
Water Distribution	Water distribution center	Per Property Schedule	250,000	10,000	FM Global	1104345
Data Processing Equipment	Computer equipment, data and media	Replacement cost	250,000	2,500	FM Global	1104345
Equipment Floater (911)	Radio tower floater	Replacement cost	250,000	2,500	FM Global	1104345
Equipment Floater (NON-LIC)	Non licensed scheduled equipment	Actual Cash Value	250,000	2,500	FM Global	1104345
General Liability ***	\$6,000,000 occurrence / \$12,000,000 annual aggregate	6,000,000	400,000	0	States	3000027-6
Public Employee Blanket Bond	Employees blanket bond coverage	3,000,000	50,000	10,000	Hanover	BDCJ13667400
Public Officials Liability***	\$6,000,000 occurrence / \$12,000,000 annual aggregate	6,000,000	400,000	0	States	3000027-6
Workers' Compensation Excess	Statutory	Statutory	800,000	0	Midwest Employers Casualty (MECC)	EW007744
Cyber Liability	1 <sup>st</sup> Party/3 <sup>rd</sup> Party/Data Breach	3,000,000	1,000,000		Indian Harbor	MTP903493605

\*\* Self-insured for both comp & collision.

\*\*\* Public Entity Policy

**Lincoln Water System  
An Enterprise Fund of the City of Lincoln, Nebraska**

**Summary of Insurance Coverage**

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This summary of insurance coverage provides general information regarding the City's casualty-property insurance policies.

**AUTOMOBILE INSURANCE**

*Liability Coverage:* Provides coverage for accidents involving all owned, nonowned and hired vehicles. Protects the City against third-party claims from members of the public for bodily injury or property damage.

*Physical Damage:* Provides comprehensive (other than collision) and collision coverage for City-owned vehicles on a self-insured basis.

**PROPERTY INSURANCE**

*Building and Contents:* Provides coverage for damage to City-owned buildings and contents provided the buildings are listed on the City's property schedule.

*Boiler and Machinery:* Provides coverage for damage to boilers, vessels, steam generators, refrigerating and air conditioning vessels and piping, deep well pump units, turbines and certain machines.

*Crime:* Coverage for theft, disappearance or destruction of money and securities both inside and outside the premises.

*Inland Marine Floaters:* Provides physical damage coverage for specifically scheduled property. Current floaters insured include: data processing equipment, radio towers, and nonlicensed equipment.

**WATER DISTRIBUTION SYSTEM**

Provides coverage for underground pipeline between Lincoln and Ashland.

**GENERAL LIABILITY**

Provides coverage for general liability (bodily injury and property damage) claims made against the City.

**PUBLIC EMPLOYEES BLANKET BOND**

Provides coverage for loss of money and securities resulting from employee dishonesty. Also covers credit/debit card forgery or alteration. This is a blanket policy covering City employees.

**PUBLIC OFFICIALS LIABILITY (Claims-made)**

The insurance company will pay on behalf of the City of Lincoln (amount over self-insured retention) for any civil claim or claim made against them on a *claims-made basis* because of any wrongful act. A wrongful act under the coverage is defined as any actual or alleged error or misstatement or misleading statement or act of omission or neglect or breach of duty including misfeasance, malfeasance and nonfeasance by an insured. Also covered are claims arising out of employment practices.

**WORKERS' COMPENSATION**

Provides excess workers' compensation insurance for injuries arising out of and in the course of employment. This provides indemnity and medical coverage above our self-insured retention limits.

**CYBER INSURANCE**

Provides liability, business interruption, data recovery, cyber extortions and data breach coverage.