

Lincoln Water System

2019

Financial Statements & Schedules

Fiscal Year Ended August 31, 2019



ANNUAL FINANCIAL REPORT

DEPARTMENT OF TRANSPORTATION AND UTILITIES

CITY OFFICIALS

Leirion Gaylor Baird..... Mayor

COUNCIL MEMBERS

Jane RaybouldChair

Richard MeginnisVice-Chair

James Michael Bowers

Roy Christensen

Bennie Shobe

Tammy Ward

Sandra Washington

WATER SYSTEM

Thomas K. Casady..... Interim Director of Transportation and Utilities

Donna K. GardenAssistant Director of Transportation and Utilities

Lincoln Water System
August 31, 2019 and 2018

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying 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, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the System's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System, as of August 31, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the activity of 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, 2019 and 2018, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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 an opinion on the financial statements that collectively comprise the System's 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 financial statements. The supplementary information, as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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, as presented in the table of contents, is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying other statistical information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

RSM US LLP

Omaha, Nebraska
February 18, 2020

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, 2019 and 2018. 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 statements 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 Statement of Revenues, Expenses and Changes in Net Position

The Statements of Net Position and the Statement 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 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 – 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 Statement of Cash Flows

The Statement of Cash Flows reports 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 and inflows of resources and liabilities plus deferred inflows of resources reported in the Statements of Net Position. The System's net position increased by \$17,008,735 in 2019 over 2018 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, 2019, 2018, and 2017.

Table 1

Condensed Net Position Information

	August 31		Change	
	2019	2018 Restated	Dollars	Percent
Current assets	\$ 38,439,200	\$ 30,353,232	\$ 8,085,968	26.64%
Capital assets	351,697,066	343,885,063	7,812,003	2.27%
Noncurrent assets	16,598,037	19,810,592	(3,212,555)	(16.22%)
Deferred outflows of resources	572,976	544,311	28,665	5.27%
Total assets and deferred outflows or resources	407,307,279	394,593,198	12,714,081	3.22%
Current liabilities	10,365,094	9,600,339	764,755	7.97%
Long-term liabilities	40,307,622	45,407,877	(5,100,255)	(11.23%)
Deferred inflows	80,644	39,798	40,846	102.63%
Total liabilities and deferred inflows of resources	50,753,360	55,048,014	(4,294,654)	(7.80%)
Net position				
Net investment in capital assets	305,797,123	293,310,868	12,486,255	4.26%
Restricted for debt service	5,515,967	5,687,536	(171,569)	(3.02%)
Restricted for capital acquisition	5,570,401	5,554,340	16,061	0.29%
Unrestricted	39,670,428	34,992,440	4,677,988	13.37%
Total net position	356,553,919	339,545,184	17,008,735	5.01%
Total liabilities and net position	\$407,307,279	\$394,593,198	\$12,714,081	3.22%

Financial Highlights – Fiscal Year 2019

- Current assets increased due to an increase in cash and investments.
- Capital assets increased partially due to the construction of the Yankee Hill Pump Station.
- Current liabilities increased due to timing of payments made to contractors on several construction projects.
- Long term liabilities decreased primarily due to debt service payments made during the year.
- In August 2019, the System issued \$10,170,000 of Water Revenue Bonds, Refunding Series 2019.

Table 2**Condensed Net Position Information**

	August 31		Change	
	2018 Restated	2017 Not Restated	Dollars	Percent
Current assets	\$ 35,907,572	\$ 30,193,290	\$ 5,714,282	18.93%
Capital assets	343,885,063	330,572,291	13,312,772	4.03%
Noncurrent assets	14,256,252	16,576,160	(2,319,908)	(14.00%)
Deferred outflows of resources	544,311	569,553	(25,242)	(4.43%)
 Total assets and deferred outflows or resources	 394,593,198	 377,911,294	 16,681,904	 4.41%
Current liabilities	9,600,339	8,240,831	1,359,508	16.50%
Long-term liabilities	45,407,877	50,108,906	(4,701,029)	(9.38%)
Deferred inflows	39,798	-	39,798	100.00%
 Total liabilities and deferred inflows of resources	 55,048,014	 58,349,737	 (3,301,723)	 (5.66%)
Net position				
Net investment in capital assets	293,310,868	276,316,388	16,994,480	6.15%
Restricted for debt service	5,687,536	5,703,048	(15,512)	(0.27%)
Restricted for capital acquisition	5,554,340	4,434,434	1,119,906	25.25%
Unrestricted	34,992,440	33,107,687	1,884,753	5.69%
Total net position	339,545,184	319,561,557	19,983,627	6.25%
 Total liabilities and net position	 \$394,593,198	 \$377,911,294	 \$16,681,904	 4.41%

Financial Highlights – Fiscal Year 2018

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented during fiscal year 2018. The beginning net position for the System was restated (\$292,107) to retroactively report the total other postemployment benefits (OPEB) liability as of September 1, 2017. The financial statement amounts for fiscal year 2017 OPEB obligation, OPEB expense, deferred outflows of resources and deferred inflows of resources were not restated because information was not available.
- Current assets increased due to an increase in cash and investments, as well as an increase in accounts receivable due from impact fees collected and not yet transferred to the System.
- Capital assets increased due to the additional construction of water distribution mains.
- Current liabilities increased due to timing of payments made to contractors on several construction projects.
- Long term liabilities decreased primarily due to debt service payments made during the year. No new debt was issued in the fiscal year.

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

	August 31		Change	
	2019	2018 Restated	Dollars	Percent
Operating revenues				
Water revenue	\$37,396,555	\$37,799,102	(\$402,547)	(1.06%)
Other revenue	982,439	1,182,714	(200,275)	(16.93%)
Total operating revenues	38,378,994	38,981,816	(602,822)	(1.55%)
Nonoperating revenues				
Investment income	1,163,609	260,148	903,461	347.29%
Grant revenues	1,204,516	3,404,124	(2,199,608)	(64.62%)
TIF funding	688,710	-	688,710	100.00%
Total nonoperating revenues	3,056,835	3,664,272	(607,437)	(16.58%)
Total revenues	41,435,829	42,646,088	(1,210,259)	(2.84%)
Operating expenses				
Supply, pumping and purification	13,892,524	13,952,446	(59,922)	(0.43%)
Transmission and distribution	10,327,170	10,592,236	(265,066)	(2.50%)
Administrative and accounting	3,042,288	2,070,650	971,638	46.92%
Total operating expenses	27,261,982	26,615,332	646,650	2.43%
Nonoperating expenses				
Interest and amortization expense	1,475,870	1,611,061	(135,191)	(8.39%)
Net costs recoverable	49,076	48,767	309	0.64%
Total nonoperating expenses	1,524,946	1,659,828	(134,882)	(8.13%)
Total expenses	28,786,928	28,275,160	511,768	1.81%
Income before contributions	12,648,901	14,370,928	(1,722,027)	(11.98%)
Capital contributions	4,359,834	5,904,806	(1,544,972)	(26.16%)
Change in net position	\$17,008,735	\$20,275,734	(\$3,266,999)	(16.11%)

Financial Highlights – Fiscal Year 2019

- Decrease in operating revenues due to a considerably wet spring, including a flood in March 2019 which included voluntary water use restrictions.
- Decrease in nonoperating revenues due to a grant received from the State Water Sustainability fund in 2018.
- TIF (tax increment financing) was received by the Water System for the 52nd to 56th and Arbor Road Water Project.
- Capital contributions decreased during the year because of decreased development activity.

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

	August 31		Change	
	2018 Restated	2017 Not Restated	Dollars	Percent
Operating revenues				
Water revenue	\$37,799,102	\$35,504,717	\$2,294,385	6.46%
Other revenue	1,182,714	717,681	465,033	64.80%
Total operating revenues	38,981,816	36,222,398	2,759,418	7.62%
Nonoperating revenues				
Investment income	260,148	204,904	55,244	26.96%
Grant revenues	3,404,124	438,422	2,965,702	676.45%
Total nonoperating revenues	3,664,272	643,326	3,020,946	469.58%
Total revenues	42,646,088	36,865,724	5,780,364	15.68%
Operating expenses				
Supply, pumping and purification	13,952,446	14,435,495	(483,049)	(3.35%)
Transmission and distribution	10,592,236	9,871,559	720,677	7.30%
Accounting and collecting	886,721	913,206	(26,485)	(2.90%)
Administrative and general	1,183,929	1,338,518	(154,589)	(11.55%)
Total operating expenses	26,615,332	26,558,778	56,554	0.21%
Nonoperating expenses				
Interest and amortization expense	1,611,061	1,503,727	107,334	7.14%
Net costs recoverable	48,767	48,767	-	0.00%
Well abandonment	-	1,193,597	(1,193,597)	(100.00%)
Total nonoperating expenses	1,659,828	2,746,091	(1,086,263)	(39.56%)
Total expenses	28,275,160	29,304,869	(1,029,709)	(3.51%)
Income before contributions	14,370,928	7,560,855	6,810,073	90.07%
Capital contributions	5,904,806	4,441,024	1,463,782	32.96%
Change in net position	\$20,275,734	\$12,001,879	\$8,273,855	68.94%

Financial Highlights – Fiscal Year 2018

- Increase in operating revenues primarily due to a 5% revenue increase implemented November 2017 and applied solely to the service charge.
- Increase in nonoperating revenues due to a grant received from the State Water Sustainability fund providing partial funding for the construction of a new horizontal well.
- Capital contributions increased during the year because of increased development activity.

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.

In August 2019, the System issued \$10,170,000 of Water Revenue Bonds, Refunding Series 2019, with an estimated savings of approximately \$2,000,000 of present value.

Capital Asset Activity

The System's investment in capital assets as of August 31, 2019 amounts to \$351,697,066 (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. Currently, the credit rating received from Standard & Poor's Rating Services is AA+. The credit rating issued by Moody's Rating Services 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 \$4,453,000 at August 31, 2019 to be paid with revenue proceeds.

Forward-Looking Information

The approved Capital Improvement Program for Fiscal Year 2019/20 - 2023/24 identifies the need for \$143,729,400 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 2018, the Lincoln City Council approved a 5% revenue increase in Fiscal Years 2019 and 2020. This will be attained through increases in the usage rates and service charges.

Contact Information

This financial report is intended to provide users with a general overview of the System's financial performance for 2019 and 2018. 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 10th Street, Lincoln, NE 68508.

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

Statements of Net Position

August 31, 2019 and 2018

Assets and Deferred Outflows of Resources	2019	2018
Current assets:		
Equity in pooled cash and investments	\$ 27,145,859	\$ 20,933,684
Receivables:		
Accounts receivable	3,561,596	3,235,520
Unbilled revenues	4,870,261	4,408,747
Due from other funds	1,240,365	137,509
Total receivables	9,672,222	7,781,776
Inventories	1,621,119	1,637,772
Total current assets	38,439,200	30,353,232
Noncurrent assets:		
Equity in pooled cash and investments	2,809,515	6,150,992
Restricted assets:		
Equity in pooled cash and investments	2,474,730	1,435,113
Investments	5,396,642	6,314,374
Impact fees receivable	5,570,401	5,554,340
Total restricted assets	13,441,773	13,303,827
Utility plant:		
Non-depreciable	11,959,649	24,674,583
Depreciable	514,304,837	484,857,592
Less accumulated depreciation	(174,567,420)	(165,647,112)
Net utility plant	351,697,066	343,885,063
Costs recoverable from future billings	346,749	355,773
Total noncurrent assets	368,295,103	363,695,655
Total assets	406,734,303	394,048,887
Deferred outflows of resources:		
Deferred loss on refunding	537,857	498,832
Deferred outflow for OPEB	35,119	45,479
Total deferred outflows	572,976	544,311
Total assets and deferred outflows of resources	\$ 407,307,279	\$ 394,593,198
Liabilities, Deferred Inflows of Resources, and Net Position		
Current liabilities:		
Accounts payable	\$ 1,171,053	\$ 909,695
Accrued liabilities	807,221	761,829
Deposits liability	187,949	122,049
Accrued compensated absences	515,623	488,262
Construction contracts	2,901,003	2,568,490
Current maturities of long-term debt	4,681,388	4,636,755
Accrued interest	100,857	113,259
Total current liabilities	10,365,094	9,600,339
Long-term liabilities:		
Accrued liabilities	591,437	760,902
Accrued compensated absences	860,776	779,193
Long-term debt, excluding current maturities, net of premiums	38,855,409	43,867,782
Total long-term liabilities	40,307,622	45,407,877
Total liabilities	50,672,716	55,008,216
Deferred inflows of resources:		
Deferred inflow for OPEB	80,644	39,798
Total Deferred Inflow of Resources	80,644	39,798
Net position:		
Net investment in capital assets	305,797,123	293,310,868
Restricted for debt service	5,515,967	5,687,536
Restricted for capital acquisition	5,570,401	5,554,340
Unrestricted	39,670,428	34,992,440
Total net position	356,553,919	339,545,184
Total liabilities, deferred inflows of resources, and net position	\$ 407,307,279	\$ 394,593,198

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, 2019 and 2018

	2019	2018
Operating revenues:		
Water sales	\$ 37,396,555	\$ 37,799,102
Service and materials, net	982,439	1,182,714
Total operating revenues	38,378,994	38,981,816
Operating expenses:		
Supply, pumping and purification	13,892,524	13,952,446
Transmission and distribution	10,327,170	10,592,236
Administrative and general	3,042,288	2,070,650
Total operating expenses	27,261,982	26,615,332
Operating income	11,117,012	12,366,484
Nonoperating revenues (expenses):		
Investment income	1,163,609	260,148
Interest and amortization expense	(1,475,870)	(1,611,061)
State grant revenues	1,204,516	3,404,124
Net costs recoverable	(49,076)	(48,767)
TIF funding	688,710	-
Net nonoperating revenues	1,531,889	2,004,444
Increase in net position before capital contributions	12,648,901	14,370,928
Capital contributions from:		
Developer contributions	2,140,877	3,673,573
Impact fees	1,638,985	1,595,346
Tap fees	579,972	635,887
Total capital contributions	4,359,834	5,904,806
Increase in net position	17,008,735	20,275,734
Total net position - beginning	339,545,184	319,269,450
Total net position - ending	\$ 356,553,919	\$ 339,545,184

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, 2019 and 2018

	2019	2018
Operating activities:		
Receipts from customers and users	\$37,641,244	\$37,895,208
Payments to suppliers	(8,755,309)	(8,879,950)
Payments to employees	(9,127,737)	(8,875,080)
Net cash provided by operating activities	19,758,198	20,140,178
Noncapital financing activities:		
Increase in due from other funds	(1,102,856)	(137,509)
Net cash (used in) noncapital financing activities	(1,102,856)	(137,509)
Capital and related financing activities:		
Acquisition and construction of capital assets	(12,184,505)	(15,161,419)
Principal paid on revenue bonds and long term obligations	(4,636,755)	(4,517,445)
System funds used for bond refunding	(41,175)	-
Interest paid on revenue bonds and long term obligations	(1,857,160)	(1,877,042)
State grant proceeds	1,204,516	3,404,124
TIF funding	688,710	-
Net cash provided by (used in) capital and related financing activities	(16,826,369)	(18,151,782)
Investing activities:		
Purchases of investments	(22,852,771)	(19,655,018)
Proceeds from sales and investment maturities	20,563,714	17,568,597
Interest on investments	866,371	570,128
Net cash used in investing activities	(1,422,686)	(1,516,293)
Net increase in cash and cash equivalents	406,287	334,594
Cash and cash equivalents at beginning of year	1,297,250	962,656
Cash and cash equivalents at end of year	\$ 1,703,537	\$ 1,297,250
Composition of equity in pooled cash and investments (current)		
Cash and cash equivalents	\$ 1,703,537	\$ 1,297,250
Investments	27,917,052	21,071,547
Total equity in pooled cash and investments (current)	\$29,620,589	\$22,368,797
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$11,117,012	\$12,366,484
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	9,064,851	8,846,888
Changes in operating assets and liabilities:		
Accounts receivable	(803,651)	(1,061,408)
Inventories	16,653	(133,189)
Accounts payable	261,358	218,271
Accrued liabilities and deposit liability	(58,173)	(78,245)
Deferred outflows	10,360	(45,479)
Deferred inflows	40,846	39,798
Accrued compensated absences	108,942	(12,942)
Total adjustments	8,641,186	7,773,694
Net cash provided by operating activities	\$19,758,198	\$20,140,178

Supplemental disclosure of noncash transactions:

Contributed capital improvements of \$2,140,877 and \$3,673,573 were added to utility plant in 2019 and 2018, respectively.

Accounts payable incurred for utility plant purchases were \$2,901,003 and \$2,568,490 in 2019 and 2018, 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, 2019 and 2018

(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, 2019 and 2018, and the changes in its financial position for the years then ended in conformity 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, 2019 and 2018

(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 cycle basis bi-monthly. 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, 2019 or 2018.

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. Long-term construction contracts that are entered into with developers to expand the distribution system and structure are capitalized at cost over the term of construction, with the related liability classified between current and long-term based upon the anticipated expense appropriation or collection of directed impact fees. 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

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2019 and 2018

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

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 in effect on the date the investment is made. Cash balances in excess of current requirements are invested along with funds from other governmental bodies, and the interest earned on these investments is allocated monthly to the various governmental bodies by the City Treasurer on a pro rata basis of aggregate monthly balances.

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, and is recorded at their interest in the City's pool, which includes both cash and investments reported at their estimated fair value.

The amounts held in the City's pool are considered liquid as they are available to be withdrawn on demand, with no redemption restrictions.

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

U.S. Treasury and Agency obligations are reported at fair value. 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 is a market based measurement, not an entity specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same, that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between the market participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability.

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2019 and 2018

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

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. Impact fees collected are recognized as revenue as expenses are incurred. 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.

Tax Increment Financing (TIF)

TIF is a state authorized public funding mechanism for cities to use to help pay for public improvements associated with redevelopment projects in blighted and substandard areas. To be eligible to use TIF, the property must be in an area that has been declared blighted and substandard and must have a redevelopment plan that is recommended by the Urban Development Department and approved by the City Council. The System received \$688,710 in TIF funding as of August 31, 2019.

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 Outflow of Resources

Deferred outflow of resources represents a consumption of net position 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 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 against OPEB expense.

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2019 and 2018

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

Deferred Inflow of Resources

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, 2019 and 2018:

	<u>August 31, 2019</u>	<u>August 31, 2018</u>
<u>Water Usage</u>		
Residential:		
100 to 800 cubic feet	\$1.411	\$1.344
801 to 2,300 cubic feet	2.007	1.911
2,301 and up	3.109	2.961
Nonresidential low volume user:		
100 to 8,000 cubic feet	1.411	1.344
8,001 and up	2.007	1.911
Nonresidential high volume user:		
Base usage which is average water usage for previous three calendar years	1.340 to 1.477	1.276 to 1.407
<u>Service Charge</u>		
5/8 inch	\$ 6.89	\$ 6.56
5/8 x 3/4 inch	10.42	9.92
3/4 inch	10.42	9.92
1 inch	17.39	16.56
1 1/2 inch	34.68	33.03
2 inch	55.50	52.86
3 inch	104.13	99.17
4 inch	173.58	165.31
6 inch	347.08	330.55
8 inch	555.33	528.89
10 inch	798.36	760.34

In August 2018, the Lincoln City Council approved revenue increases for the next two years. The first revenue increase of 5% became effective November 2018. The second revenue increase of 5% is effective in November 2019.

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.

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2019 and 2018

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

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 component 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 which is in no case longer than 36.25 days. 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 up to 65% of accumulated sick leave, 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.

Compensated absences of the System at August 31, 2019 and 2018 are summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
August 31, 2019	\$1,267,455	597,205	488,261	1,376,399	515,623
August 31, 2018	\$1,280,397	491,654	504,596	1,267,455	488,262

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2019 and 2018

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

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 conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Reclassification

The System reclassified certain items in the accompanying basic financial statements for the prior year to conform to the current-year presentation. These reclassifications had no effect on previously reported change in net position or net position.

(2) Deposits, Investments, and Investment Return

Deposits

State statutes require banks either to give bond, provide a Federal Home Loan Bank letter of credit, or to pledge government securities to the City Treasurer in the amount of the City's deposits. 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 Federal Deposit Insurance Corporation (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.

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. The System's investments in U.S. Government Sponsored Agency obligations are held in a book entry system in an account designated as a customer account at the Federal Reserve Bank and the custodian's internal records identify the City as owner.

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2019 and 2018

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

Fair value measurements: 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 that an entity has the ability to access.

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.

Inputs: If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

For the System, the following fair value techniques were utilized in measuring the fair value of its investments:

U.S. Government agency securities: U.S. Government securities are reported at fair value based on bullet (noncall) spread scale for each issuer for maturities going out to 40 years. These spreads represent credit risk and are obtained from the new issue market, secondary trading, and dealer quotes.

An Option Adjusted Spread (OAS) model is incorporated to adjust spreads of issues that have early redemption features. Final spreads are added to a U.S. Treasury curve. A cash discounting yield/price routine calculates prices from final yields to accommodate odd coupon payment dates typical of medium-term notes.

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

Notes to Financial Statements

August 31, 2019 and 2018

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

At August 31, 2019 and 2018, the System had the following investments and maturities:

	August 31, 2019				
Type	Fair Value	Maturities in Years			Fair Value Measurement
		Less than 1	1 - 5	6 - 10	
U.S. Government Sponsored Agencies	\$5,396,642	\$0	\$1,575,044	\$3,821,598	Level 2

	August 31, 2018				
	Fair Value	Maturities in Years			Fair Value Measurement
Type		Less than 1	1 - 5	6 - 10	
U.S. Government					
Sponsored Agencies	\$6,314,374	\$1,123,459	\$1,569,245	\$3,621,670	Level 2

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2019 and 2018

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

Interest Rate Risk:

Interest rate risk is the risk that a change in interest rates will adversely affect the 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 non-operating funds shall have a term appropriate to the need for funds and in accordance with debt covenants.

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, 2019 and 2018, the System investments in United States 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 or security type. 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. 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:

	2019	2018
U.S. Government Agency Obligations		
Federal Farm Credit Bank	13.9%	14.9%

The carrying amount of equity interests in pooled cash and investments at August 31, 2019 and 2018 are:

	2019	2018
Equity in pooled cash and investments	\$32,430,104	\$28,519,789
Percentage of City's Pool	7.8%	7.5%

Please refer to the City's Comprehensive Annual Financial Report for additional information on the City's pooled cash and investments, including required disclosures of risk and fair value measurements. A copy of the City's separately issued report can be obtained at <http://lincoln.ne.gov/city/finance/account/cafr.htm>.

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2019 and 2018

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

Investment Income

Investment income for the years ended August 31, 2019 and 2018 consisted of:

	2019	2018
Interest and dividend income	\$ 866,371	\$570,128
Net change in fair value of investments	297,238	(309,980)
	<u>\$1,163,609</u>	<u>\$260,148</u>

(3) Inventories

Balances of the major classes of inventory at August 31, 2019 and 2018, are shown below:

	2019	2018
Heavy materials	\$1,213,019	\$1,207,222
Diesel fuel	113,350	113,350
Water meters and parts	250,359	261,458
Chemicals	44,391	55,742
Total inventories	<u>\$1,621,119</u>	<u>\$1,637,772</u>

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

Notes to Financial Statements

August 31, 2019 and 2018

(4) Utility Plant

Utility plant is summarized by major classification at August 31, 2019 as follows:

Asset Class	Capital Assets				Accumulated Depreciation				Net Capital Assets
	August 31, 2018	Increases	Decreases	August 31, 2019	August 31, 2018	Increases	Decreases	August 31, 2019	August 31, 2019
Airport	\$ 42,172	\$ -	\$ -	\$ 42,172	\$ (29,544)	\$ (422)	\$ -	\$ (29,966)	\$ 12,206
Structures and improvements	82,113,847	960,115	-	83,073,962	(34,206,968)	(1,671,713)	-	(35,878,681)	47,195,281
Reservoirs	39,756,251	185,511	-	39,941,762	(16,326,397)	(702,262)	-	(17,028,659)	22,913,103
Other power and production equipment	2,587,850	12,010,120	-	14,597,970	(1,939,206)	(155,864)	-	(2,095,070)	12,502,900
Electric pumping equipment	23,998,237	4,101,052	-	28,099,289	(12,773,966)	(640,149)	-	(13,414,115)	14,685,174
Purification system	34,443,334	28,785	-	34,472,119	(15,741,109)	(1,035,862)	-	(16,776,971)	17,695,148
Transmission mains	82,862,028	-	-	82,862,028	(23,375,514)	(1,225,329)	-	(24,600,843)	58,261,185
Distribution mains and accessories	187,251,703	10,838,010	-	198,089,713	(38,540,452)	(2,384,645)	-	(40,925,097)	157,164,616
Hydrants	4,844,227	-	-	4,844,227	(3,973,571)	(69,615)	-	(4,043,186)	801,041
Office furniture and equipment	2,579,317	51,962	-	2,631,279	(2,267,964)	(93,908)	-	(2,361,872)	269,407
Shop equipment	199,383	-	-	199,383	(197,863)	-	-	(197,863)	1,520
Laboratory equipment	729,633	88,098	-	817,731	(454,681)	(60,036)	-	(514,717)	303,014
Tools and work equipment	497,661	29,177	-	526,838	(357,461)	(31,144)	-	(388,605)	138,233
Communications system	3,159,664	374,377	-	3,534,041	(1,627,892)	(143,176)	-	(1,771,068)	1,762,973
Meters	15,922,601	734,512	-	16,657,113	(10,953,062)	(622,393)	-	(11,575,455)	5,081,658
Vehicles	3,869,684	210,042	(164,516)	3,915,210	(2,881,462)	(228,333)	144,543	(2,965,252)	949,958
Total depreciable assets	484,857,592	29,611,761	(164,516)	514,304,837	(165,647,112)	(9,064,851)	144,543	(174,567,420)	339,737,417
Land and land rights	5,737,347	19,362	-	5,756,709	-	-	-	-	5,756,709
Construction in progress	18,937,236	14,348,864	(27,083,160)	6,202,940	-	-	-	-	6,202,940
Total nondepreciable assets	24,674,583	14,368,226	(27,083,160)	11,959,649	-	-	-	-	11,959,649
Total capital assets	\$ 509,532,175	\$ 43,979,987	\$ (27,247,676)	\$ 526,264,486	\$ (165,647,112)	\$ (9,064,851)	\$ 144,543	\$ (174,567,420)	\$ 351,697,066

The Systems adopted GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, as a result no internal costs were capitalized in the current fiscal year.

The composite depreciation rate was approximately 1.76% in 2019.

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

Notes to Financial Statements

August 31, 2019 and 2018

(4) Utility Plant

Utility plant is summarized by major classification at August 31, 2018 as follows:

Asset Class	Capital Assets				Accumulated Depreciation				Net Capital Assets
	August 31, 2017	Increases	Decreases	August 31, 2018	August 31, 2017	Increases	Decreases	August 31, 2018	August 31, 2018
Airport	\$ 42,172	\$ -	\$ -	\$ 42,172	\$ (29,122)	\$ (422)	\$ -	\$ (29,544)	\$ 12,628
Structures and improvements	82,113,847	-	-	82,113,847	(32,531,362)	(1,675,606)	-	(34,206,968)	47,906,879
Reservoirs	39,535,571	220,680	-	39,756,251	(15,614,369)	(712,028)	-	(16,326,397)	23,429,854
Other power and production equipment	2,575,818	12,032	-	2,587,850	(1,880,511)	(58,695)	-	(1,939,206)	648,644
Electric pumping equipment	23,998,237	-	-	23,998,237	(12,160,994)	(612,972)	-	(12,773,966)	11,224,271
Purification system	34,443,334	-	-	34,443,334	(14,701,359)	(1,039,750)	-	(15,741,109)	18,702,225
Transmission mains	82,862,028	-	-	82,862,028	(22,150,100)	(1,225,414)	-	(23,375,514)	59,486,514
Distribution mains and accessories	177,237,097	10,014,606	-	187,251,703	(36,281,784)	(2,258,668)	-	(38,540,452)	148,711,251
Hydrants	4,844,227	-	-	4,844,227	(3,903,955)	(69,616)	-	(3,973,571)	870,656
Office furniture and equipment	2,433,541	145,776	-	2,579,317	(2,166,005)	(101,959)	-	(2,267,964)	311,353
Shop equipment	199,383	-	-	199,383	(197,863)	-	-	(197,863)	1,520
Laboratory equipment	574,333	155,300	-	729,633	(421,937)	(32,744)	-	(454,681)	274,952
Tools and work equipment	454,859	42,802	-	497,661	(329,719)	(27,742)	-	(357,461)	140,200
Communications system	3,159,664	-	-	3,159,664	(1,471,517)	(156,375)	-	(1,627,892)	1,531,772
Meters	15,380,079	542,522	-	15,922,601	(10,321,301)	(631,761)	-	(10,953,062)	4,969,539
Vehicles	3,880,878	71,813	(83,007)	3,869,684	(2,707,694)	(243,136)	69,368	(2,881,462)	988,222
Total depreciable assets	473,735,068	11,205,531	(83,007)	484,857,592	(156,869,592)	(8,846,888)	69,368	(165,647,112)	319,210,480
Land and land rights	5,532,620	204,727	-	5,737,347	-	-	-	-	5,737,347
Construction in progress	8,174,195	18,217,780	(7,454,739)	18,937,236	-	-	-	-	18,937,236
Total nondepreciable assets	13,706,815	18,422,507	(7,454,739)	24,674,583	-	-	-	-	24,674,583
Total capital assets	\$ 487,441,883	\$ 29,628,038	\$ (7,537,746)	\$ 509,532,175	\$ (156,869,592)	\$ (8,846,888)	\$ 69,368	\$ (165,647,112)	\$ 343,885,063

The Systems adopted GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, as a result no internal costs were capitalized in the current fiscal year.

The composite depreciation rate was approximately 1.82% in 2018.

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2019 and 2018

(5) Long-term Liabilities

Long-term debt of the System at August 31, 2019 and 2018 is summarized below:

2019					
Type of Debt	August 31, 2018	Additions	Reductions	August 31, 2019	Due Within One Year
2.0% - 4.5% Water Revenue Bonds, Series 2009. 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, 2019.	\$12,435,000	\$ -	\$12,435,000	\$ -	\$ -
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.	4,575,000	-	1,155,000	3,420,000	1,205,000
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.	17,240,000	-	2,280,000	14,960,000	2,350,000
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.	-	10,170,000	-	10,170,000	465,000
2.25% Nebraska Department of Environmental Quality (NDEQ) 2011 project loan payable. Principal and interest due semi-annually on June 15 and December 15, with final payment in 2034. (1)	12,303,654	-	646,755	11,656,899	661,388
Unamortized premium on bonds	1,950,883	1,685,874	306,859	3,329,898	-
Total long-term debt	<u>\$48,504,537</u>	<u>\$11,885,874</u>	<u>\$16,823,614</u>	<u>\$43,536,797</u>	<u>\$4,681,388</u>

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

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

Notes to Financial Statements

August 31, 2019 and 2018

(5) Long-term Liabilities (continued)

2018					
Type of Debt	August 31, 2017	Additions	Reductions	August 31, 2018	Due Within One Year
2.0% - 4.5% Water Revenue Bonds, Series 2009. 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, 2019.	\$12,970,000	\$ -	\$535,000	\$12,435,000	\$555,000
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.	5,690,000	-	1,115,000	4,575,000	1,155,000
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.	19,475,000	-	2,235,000	17,240,000	2,280,000
2.25% Nebraska Department of Environmental Quality (NDEQ) 2011 project loan payable. Principal and interest due semi-annually on June 15 and December 15, with final payment in 2034. (1)	12,936,099	-	632,445	12,303,654	646,755
Unamortized premium on bonds	2,279,301	-	328,418	1,950,883	-
Total long-term debt	<u>\$53,350,400</u>	<u>\$ -</u>	<u>\$4,845,863</u>	<u>\$48,504,537</u>	<u>\$4,636,755</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).

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2019 and 2018

(5) Long-term Liabilities (continued)

Maturities and sinking fund requirements on long-term debt at August 31, 2019 are as follows:

Due years ending August 31	Bonds		Loans		Total
	Principal	Interest	Principal	Interest	
2020	\$ 4,020,000	\$1,115,255	\$ 661,388	\$ 258,581	\$ 6,055,224
2021	4,190,000	932,400	676,353	243,616	6,042,369
2022	4,010,000	784,600	691,657	228,312	5,714,569
2023	3,155,000	644,550	707,307	212,662	4,719,519
2024	3,270,000	539,200	723,310	196,659	4,729,169
2025 – 2029	5,620,000	1,333,650	3,869,577	730,269	11,553,496
2030 – 2034	4,285,000	420,550	4,327,307	272,229	9,305,086
Total	\$28,550,000	\$5,770,205	\$11,656,899	\$2,142,328	\$48,119,432

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 \$48,119,432, with annual payments expected to require 27 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$6,400,358 and \$23,564,427, respectively.

The System has entered into a loan agreement with Nebraska Department of Environmental Quality (NDEQ), 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.

In August 2019 the System issued \$10,170,000 of Water Revenue Refunding Bonds with an average interest rate of 3.971% to refund \$11,180,000 of Water Revenue bonds, Series 2009 with interest rates ranging from 3.0% to 5.0%. The System completed the refund to reduce its total debt service payments for the next 15 years by \$2,413,462 for an economic gain (difference between the present values of the old and new debt service payments) of \$2,081,929.

Construction contract payables of the System at August 31, 2019 and 2018 are summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
August 31, 2019	\$2,568,490	2,901,003	2,568,490	2,901,003	2,901,003
August 31, 2018	\$1,475,056	2,568,490	1,475,056	2,568,490	2,568,490

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2019 and 2018

(6) Commitments and Contingencies

Construction Commitments:

The System has commitments under major construction contracts in progress of approximately \$4,453,000 at August 31, 2019 to be paid with revenue 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 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 \$366,000 and \$383,000 in 2019 and 2018, 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 \$576,000 and \$585,000 for administrative services during 2019 and 2018, 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 \$1,199,000 and \$1,435,000 during 2019 and 2018, respectively. At August 31, 2019 and 2018, approximately \$153,000 and \$176,000, 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 \$5,570,401 and \$5,554,340 as of August 31, 2019 and 2018, 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 \$1,240,365 and \$137,509 as of August 31, 2019 and 2018, respectively. This amount is reflected as a current asset and is included in Due from Other Funds on the statement of net position.

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2019 and 2018

(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 \$616,000 and \$627,000 for 2019 and 2018, respectively. Contributions made by the plan members were approximately \$338,000 and \$377,000 for 2019 and 2018, respectively.

(9) Other Postemployment Benefits (OPEB)

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. The City's plan is a single-employer defined benefit plan. The System does not sponsor its own OPEB plan, as an enterprise fund of the City, the System is allocated a portion of the City's total OPEB liability, and related deferred inflows and outflows of resources. This allocation is based on the estimated headcount of the employees in the System compared to the total headcount of participants in the plan. The City's total OPEB liability for the civilian's plan is \$8,577,078 and \$9,131,185 for the years ended August 31, 2019 and 2018 respectively. The System's allocation proportion is 7.31 and 8.33 percent for the years ended August 31, 2019 and 2018 respectively.

The System has recognized a long-term accrued liability for its allocated portion of the City's total OPEB liability of approximately \$627,000 and \$761,000 as of August 31, 2019 and 2018 respectively, in connection with GASB Statement No. 75. The System has also recognized a deferred outflow and inflow of resources of approximately \$35,000 and \$81,000, respectively for its allocated portion as of August 31, 2019. The System recognized a deferred outflow and inflow of resources of approximately \$45,000 and \$40,000, respectively, for its allocated portion as of August 31, 2018. The total OPEB liability estimate is based on several key assumptions, such as the discount rate, inflation rate, salary increases, healthcare cost trend rates and mortality assumptions. The complete disclosures required by GASB Statement No. 75, including the key assumptions used in actuarial valuation, are included in the City of Lincoln's Comprehensive Annual Financial Report (CAFR).

SUPPLEMENTARY
INFORMATION

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

Schedule 1

Summary of Long-Term Debt

August 31, 2019

Due years ending August 31	Series 2012		Series 2013		NDEQ Loan (D311548) 2011		Series 2009		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2020	\$ 1,205,000	\$ 136,800	\$ 2,350,000	\$ 545,700	\$ 661,388	\$ 258,581	\$ 465,000	\$ 432,755	\$ 4,681,388	\$ 1,373,836	\$ 6,055,224
2021	1,250,000	88,600	2,460,000	428,200	676,353	243,616	480,000	415,600	4,866,353	1,176,016	6,042,369
2022	965,000	38,600	2,540,000	354,400	691,657	228,312	505,000	391,600	4,701,657	1,012,912	5,714,569
2023	-	-	2,620,000	278,200	707,307	212,662	535,000	366,350	3,862,307	857,212	4,719,519
2024	-	-	2,705,000	199,600	723,310	196,659	565,000	339,600	3,993,310	735,859	4,729,169
2025-2029	-	-	2,285,000	91,400	3,869,577	730,269	3,335,000	1,242,250	9,489,577	2,063,919	11,553,496
2030-2034	-	-	-	-	4,327,307	272,229	4,285,000	420,550	8,612,307	692,779	9,305,086
	\$ 3,420,000	\$ 264,000	\$ 14,960,000	\$ 1,897,500	\$ 11,656,899	\$ 2,142,328	\$ 10,170,000	\$ 3,608,705	\$ 40,206,899	\$ 7,912,533	\$ 48,119,432

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
2010	\$26,515,467	\$14,091,292	\$12,424,175	\$6,050,000	\$3,458,097	\$9,508,097	1.31	\$6,050,000	\$3,458,097	\$9,508,097	1.31
2011	30,629,506	15,455,027	15,174,479	6,310,000	3,191,857	9,501,857	1.60	6,310,000	3,191,857	9,501,857	1.60
2012	35,984,891	15,636,494	20,348,397	5,380,000	2,953,765	8,333,765	2.44	5,380,000	2,955,202	8,335,202	2.44
2013	33,432,631	16,113,390	17,319,241	1,850,000	2,253,368	4,103,368	4.22	1,850,000	2,345,562	4,195,562	4.13
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	1,763,603	6,400,358	3.68

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

Schedule 3

Utility Plant in Service

August 31, 2019 and 2018

Asset Class	Capital Assets				Accumulated Depreciation				Net Capital Assets	
	August 31, 2018	Increases	Decreases	August 31, 2019	August 31, 2018	Increases	Decreases	August 31, 2019	August 31, 2019	August 31, 2019
Lincoln Water Plant:										
Airport	\$ 42,172	\$ -	\$ -	\$ 42,172	\$ (29,544)	\$ (422)	\$ -	\$ (29,966)	\$	12,206
Structures and improvements	16,248,874	612,377	-	16,861,251	(9,555,717)	(362,969)	-	(9,918,686)		6,942,565
Reservoirs	27,472,634	-	-	27,472,634	(12,503,451)	(521,909)	-	(13,025,360)		14,447,274
Other power and production equipment	49,888	-	-	49,888	(18,584)	(4,299)	-	(22,883)		27,005
Electric pumping equipment	15,239,337	4,101,052	-	19,340,389	(6,260,735)	(362,514)	-	(6,623,249)		12,717,140
Purification system	-	-	-	-	1,072	-	-	1,072		1,072
Transmission mains	33,872,626	-	-	33,872,626	(10,216,342)	(411,241)	-	(10,627,583)		23,245,043
Distribution mains and accessories	187,251,703	10,838,010	-	198,089,713	(38,540,452)	(2,384,645)	-	(40,925,097)		157,164,616
Hydrants	4,844,227	-	-	4,844,227	(3,973,571)	(69,615)	-	(4,043,186)		801,041
Office furniture and equipment	2,480,389	43,343	-	2,523,732	(2,185,616)	(92,600)	-	(2,278,216)		245,516
Shop equipment	181,432	-	-	181,432	(179,912)	-	-	(179,912)		1,520
Laboratory equipment	7,959	42,025	-	49,984	(7,650)	(2,451)	-	(10,101)		39,883
Tools and work equipment	360,629	29,177	-	389,806	(247,035)	(23,780)	-	(270,815)		118,991
Communications system	1,188,760	358,471	-	1,547,231	(823,656)	(42,957)	-	(866,613)		680,618
Meters	15,922,601	734,512	-	16,657,113	(10,953,062)	(622,393)	-	(11,575,455)		5,081,658
Lincoln depreciable assets	305,163,231	16,758,967	-	321,922,198	(95,494,255)	(4,901,795)	-	(100,396,050)		221,526,148
Land and land rights	1,894,181	19,362	-	1,913,543	-	-	-	-		1,913,543
Lincoln nondepreciable assets	1,894,181	19,362	-	1,913,543	-	-	-	-		1,913,543
Total Lincoln plant	307,057,412	16,778,329	-	323,835,741	(95,494,255)	(4,901,795)	-	(100,396,050)		223,439,691
Ashland Water Plant:										
Structures and improvements	65,864,973	347,738	-	66,212,711	(24,651,251)	(1,308,744)	-	(25,959,995)		40,252,716
Reservoirs	12,283,617	185,511	-	12,469,128	(3,822,946)	(180,353)	-	(4,003,299)		8,465,829
Transmission mains	48,989,402	-	-	48,989,402	(13,159,172)	(814,088)	-	(13,973,260)		35,016,142
Office furniture and equipment	98,928	8,619	-	107,547	(82,348)	(1,308)	-	(83,656)		23,891
Shop equipment	17,951	-	-	17,951	(17,951)	-	-	(17,951)		-
Laboratory equipment	721,674	46,073	-	767,747	(447,031)	(57,585)	-	(504,616)		263,131
Other power and production equipment	2,537,962	12,010,120	-	14,548,082	(1,920,622)	(151,565)	-	(2,072,187)		12,475,895
Electric pumping equipment	8,758,900	-	-	8,758,900	(6,513,231)	(277,635)	-	(6,790,866)		1,968,034
Purification system	34,443,334	28,785	-	34,472,119	(15,742,181)	(1,035,862)	-	(16,778,043)		17,694,076
Communications Systems	1,970,904	15,906	-	1,986,810	(804,236)	(100,219)	-	(904,455)		1,082,355
Tools and work equipment	137,032	-	-	137,032	(110,426)	(7,364)	-	(117,790)		19,242
Ashland depreciable assets	175,824,677	12,642,752	-	188,467,429	(67,271,395)	(3,934,723)	-	(71,206,118)		117,261,311
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	179,667,843	12,642,752	-	192,310,595	(67,271,395)	(3,934,723)	-	(71,206,118)		121,104,477
Vehicles and work equipment (all locations)	3,869,684	210,042	(164,516)	3,915,210	(2,881,462)	(228,333)	144,543	(2,965,252)		949,958
Utility plant in service	\$ 490,594,939	\$ 29,631,123	\$ (164,516)	\$ 520,061,546	\$ (165,647,112)	\$ (9,064,851)	\$ 144,543	\$ (174,567,420)	\$	345,494,126
Construction in progress	18,937,236	14,348,864	(27,083,160)	6,202,940	-	-	-	-		6,202,940
Total capital assets	\$ 509,532,175	\$ 43,979,987	\$ (27,247,676)	\$ 526,264,486	\$ (165,647,112)	\$ (9,064,851)	\$ 144,543	\$ (174,567,420)	\$	351,697,066

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

Schedule 4

GENERAL STATISTICS

Year Ended August 31, 2019

(Unaudited)

Altitude of Lincoln, Nebraska	1,167 Feet
Area of Lincoln, Nebraska	97.91 Square Miles
Population	287,401 Estimate
Source of Water Supply	Wells
Location of Supply - Platte River, Ashland, Nebraska	
Maximum Well Capacity – Ashland	145 Million Gallons
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, 2019	39.01
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, 2018	1,248.9
Estimated Added During Year	20.5
Estimated Removed During Year	44.1
Total as of August 31, 2019	1,225.3 Miles
Amount of Water Pumped During Year Ended August 31, 2019	11,636,700,000 gallons
Average Daily Consumption of Water	31,881,400 gallons
Average Daily Consumption Per Capita	111 gallons
Total Number of Active Residential Water Customers	
End of Fiscal Year	80,488
Total Number of Active Non-Residential Water Customers	
End of Fiscal Year	4,972
Total Debt of Lincoln Water System at August 31, 2019	\$40,206,899

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

TOP TEN CUSTOMERS

Year Ended August 31, 2019

(Unaudited)

	<u>USAGE</u> (HCF)	<u>AMOUNT</u>
1. University of Nebraska	443,527	\$1,046,167
2. State of Nebraska	267,985	600,475
3. Archer Daniels Midland Company	248,118	349,416
4. City of Lincoln	207,094	544,042
5. AH 42 LLC	183,877	256,691
6. Veyance Technologies, Inc.	125,542	185,930
7. Lincoln Industries, Inc.	124,232	194,585
8. University of Nebraska Foundation	122,708	167,276
9. Bryan Health	121,823	287,351
10. Lincoln Public Schools	114,776	343,106
Top Ten Users Totals	1,959,682	\$3,975,039

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)

MONTH	August 31, 2019	August 31, 2018	August 31, 2017	August 31, 2016	August 31, 2015
September	1,118,530,000	1,385,561,000	1,201,519,000	1,155,406,000	1,070,452,000
October	885,500,000	955,275,000	1,051,404,000	1,125,392,000	940,973,000
November	775,770,000	823,625,000	886,902,000	844,195,000	795,572,000
December	788,900,000	804,799,000	812,407,000	800,997,000	799,134,000
January	797,900,000	830,465,000	813,245,000	810,486,000	786,647,000
February	728,090,000	748,625,000	736,036,000	753,974,000	729,911,000
March	773,090,000	797,403,000	822,544,000	822,242,000	833,814,000
April	859,620,000	830,788,000	868,221,000	922,688,000	852,106,000
May	929,250,000	1,262,579,000	985,334,000	921,848,000	875,008,000
June	1,022,450,000	1,422,256,000	1,438,168,000	1,597,790,000	1,018,410,000
July	1,630,220,000	1,462,365,000	1,517,563,000	1,583,224,000	1,497,202,000
August	1,327,380,000	1,354,228,000	1,365,059,000	1,384,829,000	1,395,539,000
Total	11,636,700,000	12,677,969,000	12,498,402,000	12,723,071,000	11,594,768,000

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

Schedule 7

Annual Rainfall (by month)

Last ten fiscal years

(Unaudited)

	30 Yr Avg	125 Yr Avg	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
September	2.88	3.15	7.13	1.85	3.38	4.93	6.89	1.99	1.73	1.33	3.73	1.25
October	2.02	1.94	2.71	4.90	1.86	0.50	2.46	2.83	1.92	0.93	0.13	4.24
November	1.27	1.27	1.19	0.07	0.65	1.98	0.47	1.22	0.15	1.66	1.97	0.06
December	1.02	0.88	3.32	0.38	1.59	4.42	1.22	0.22	1.50	1.58	0.24	2.42
January	0.73	0.66	0.75	0.41	1.10	0.83	0.91	0.24	0.73	0.16	1.07	0.82
February	0.87	0.94	1.59	0.74	0.55	0.76	0.93	0.62	0.54	2.10	0.79	0.99
March	1.47	1.56	2.65	2.71	1.62	0.93	0.77	0.13	2.12	0.89	0.66	1.77
April	2.72	2.63	1.13	0.67	3.55	4.37	1.99	3.50	4.02	3.49	3.27	2.53
May	4.77	3.91	7.29	2.23	6.29	5.42	10.90	5.26	8.44	3.00	6.00	3.70
June	4.31	4.24	4.38	8.83	7.35	0.58	7.66	5.90	2.49	3.57	3.44	9.90
July	3.30	3.35	4.08	1.35	5.99	4.67	2.39	0.51	1.00	0.33	1.55	5.83
August	3.40	3.49	2.79	4.35	3.38	3.83	3.78	7.54	1.11	0.30	6.89	2.81
Total	28.77	28.03	39.01	28.49	37.31	33.22	40.37	29.96	25.75	19.34	29.74	36.32

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

WATER ANALYSIS

(All Results in Parts Per Million)
(Collected July 16, 2019)
(Unaudited)

550 W. Cornhusker Hwy.

Hydrogen Ion Concentration (pH)	7.47
Total Dissolved Solids.....	366 ppm.
Total Iron (Fe)	<0.050 ppm.
Manganese (Mn).....	0.0030 ppm.
Calcium (as Ca)	65.1 ppm.
Total Alkalinity (CaCO ₃).....	184 ppm.
Chloride (Cl).....	22.2 ppm.
Fluoride (F)	0.92 ppm.
Nitrate (+Nitrite)	0.96 ppm.
Sodium (Na).....	31.4 ppm.
Hardness as (CaCO ₂)	
Total Hardness	210 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, 2019

(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 - 250,000 250,000 - 1,000,000 1,000,000 - 6,000,000	250,000		States	30000272
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	100,000	2,500	FM Global	1015645
Money and Securities	Inside/outside premises	3,000,000	25,000	10,000	Hartford Fire	83FA029203117
Water Distribution	Water distribution center	Per Property Schedule	100,000	10,000	FM Global	1015645
Data Processing Equipment	Computer equipment, data and media	Replacement cost	100,000	2,500	FM Global	1015645
Equipment Floater (911)	Radio tower floater	Replacement cost	100,000	2,500	FM Global	1015645
Equipment Floater (NON-LIC)	Nonlicensed scheduled equipment	Actual Cash Value	100,000	2,500	FM Global	1015645
General Liability ***	\$6,000,000 occurrence / \$12,000,000 annual aggregate	6,000,000	250,000	0	States	30000272
Public Employee Blanket Bond	Employees blanket bond coverage	3,000,000	25,000	10,000	Hartford Fire	83FA029203117
Public Officials Liability***	\$6,000,000 occurrence / \$12,000,000 annual aggregate	6,000,000	250,000	0	States	30000272
Workers' Compensation Excess	Statutory	Statutory	800,000	0	Midwest Employers Casualty (MECC)	EWC007744
Cyber Liability	1 st Party/3 rd Party/Data Breach	3,000,000	50,000		XL Catlin	MTP9034936

** 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

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.