

Lincoln Water System 2020



Financial Statements & Schedules
Fiscal Year Ended August 31, 2020

ANNUAL FINANCIAL REPORT

DEPARTMENT OF TRANSPORTATION AND UTILITIES

CITY OFFICIALS

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COUNCIL MEMBERS

Richard MeginnisChair

James Michael BowersVice-Chair

Roy Christensen

Jane Raybould

Bennie Shobe

Tammy Ward

Sandra Washington

WATER SYSTEM

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

Donna K. GardenAssistant Director of Transportation and Utilities

Lincoln Water System
August 31, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, 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
March 5, 2021

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, 2020 and 2019. 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 \$16,939,920 in 2020 over 2019 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, 2020, 2019, and 2018.

Table 1

Condensed Net Position Information

	August 31		Change	
	2020	2019	Dollars	Percent
Current assets	\$ 35,819,320	\$ 38,439,200	(\$2,619,880)	(6.82%)
Capital assets	365,208,024	351,697,066	13,510,956	3.84%
Noncurrent assets	17,345,613	16,598,037	747,576	4.50%
Deferred outflows of resources	541,148	572,976	(31,828)	(5.55%)
Total assets and deferred outflows or resources	418,914,105	407,307,279	11,606,826	2.85%
Current liabilities	10,175,910	10,365,094	(189,184)	(1.83%)
Long-term liabilities	35,178,553	40,307,622	(5,129,069)	(12.72%)
Deferred inflows	65,803	80,644	(14,841)	(18.40%)
Total liabilities and deferred inflows of resources	45,420,266	50,753,360	(5,333,094)	(10.51%)
Net position				
Net investment in capital assets	324,621,094	305,797,123	18,823,971	6.16%
Restricted for debt service	5,526,152	5,515,967	10,185	0.18%
Restricted for capital acquisition	7,060,350	5,570,401	1,489,949	26.75%
Unrestricted	36,286,243	39,670,428	6,003,923	15.13%
Total net position	373,493,839	356,553,919	16,939,920	4.75%
Total liabilities and net position	\$418,914,105	\$407,307,279	\$11,606,826	2.85%

Financial Highlights – Fiscal Year 2020

- Current assets decreased due to a reduction in cash and investments.
- Capital assets increased due to a substantial completion of capital projects, including the Flood Protection & Bank Stabilization and Well Pump Replacements.
- Noncurrent Assets increased due to investment of bond reserve funds.
- Long term liabilities decreased primarily due to debt service payments made during the year.

Table 2**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 3**Condensed Revenues, Expenses, and Changes in Net Position Information**

	August 31		Change	
	2020	2019	Dollars	Percent
Operating revenues				
Water revenue	\$40,532,869	\$37,396,555	\$3,136,314	8.39%
Other revenue	592,658	982,439	(389,781)	(39.67%)
Total operating revenues	41,125,527	38,378,994	2,746,533	7.16%
Nonoperating revenues				
Investment income	791,260	1,163,609	(372,349)	(32.00%)
Grant revenues	577,304	1,204,516	(627,212)	(52.07%)
FEMA proceeds	322,314	-	322,314	100%
TIF funding	-	688,710	(688,710)	100%
Total nonoperating revenues	1,690,878	3,056,835	(1,365,957)	(44.69%)
Total revenues	42,816,405	41,435,829	1,380,576	3.33%
Operating expenses				
Supply, pumping and purification	14,495,335	13,892,524	602,811	4.34%
Transmission and distribution	10,511,152	10,327,170	183,982	1.78%
Administrative and accounting	3,247,173	3,042,288	204,885	6.73%
Total operating expenses	28,253,660	27,261,982	991,678	3.64%
Nonoperating expenses				
Interest and amortization expense	1,136,740	1,475,870	(339,130)	(22.98%)
Net costs recoverable	49,337	49,076	261	0.53%
Flood Repairs - Ashland	1,250,643	-	1,250,643	100%
Total nonoperating expenses	2,436,720	1,524,946	911,774	59.79%
Total expenses	30,690,380	28,786,928	1,903,452	6.61%
Income before contributions and transfers	12,126,025	12,648,901	(522,876)	(4.13%)
Net transfers out	(10,310)	-	(10,310)	(100%)
Capital contributions	4,824,205	4,359,834	464,371	10.65%
Change in net position	\$16,939,920	\$17,008,735	\$ 68,815	0.40%

Financial Highlights – Fiscal Year 2020

- Increase in operating revenues primarily due to a 5% revenue increase implemented November 2019.
- Decrease in nonoperating revenues due to a reduction in investment income, Sustainability Grant revenues, and TIF revenues. An insurance reimbursement for 2019 Flood Damage was received.
- Increase in nonoperating expenses due to 2019 flood repair expenditures.

Table 4**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.

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, 2020 amounts to \$365,208,024 (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 \$7,564,769 at August 31, 2020 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 \$283,503,000 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 2020, the Lincoln City Council approved a 6% revenue increase effective November 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 2020 and 2019. 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

Statements of Net Position

August 31, 2020 and 2019

Assets and Deferred Outflows of Resources	2020	2019
Current assets:		
Equity in pooled cash and investments	\$ 23,679,542	\$ 27,145,859
Receivables:		
Accounts receivable	3,421,529	3,561,596
Unbilled revenues	5,529,419	4,870,261
Due from other funds	1,233,951	1,240,365
Total receivables	10,184,899	9,672,222
Inventories	1,954,879	1,621,119
Total current assets	35,819,320	38,439,201
Noncurrent assets:		
Equity in pooled cash and investments	1,819,529	2,809,515
Restricted assets:		
Equity in pooled cash and investments	1,733,991	2,474,730
Investments	6,434,330	5,396,642
Impact fees receivable	7,060,350	5,570,401
Total restricted assets	15,228,671	13,441,773
Utility plant:		
Non-depreciable	15,066,380	11,959,649
Depreciable	533,528,541	514,304,837
Less accumulated depreciation	(183,386,897)	(174,567,420)
Net utility plant	365,208,024	351,697,066
Costs recoverable from future billings	297,413	346,749
Total noncurrent assets	382,553,637	368,295,103
Total assets	418,372,957	406,734,303
Deferred outflows of resources:		
Deferred loss on refunding	461,397	537,857
Deferred outflow on OPEB	79,751	35,119
Total deferred outflows	541,148	572,976
Total assets and deferred outflows of resources	\$ 418,914,105	\$ 407,307,279
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Accounts payable	\$ 756,847	\$ 1,171,053
Accrued liabilities	1,037,495	807,221
Deposits liability	222,350	187,949
Accrued compensated absences	591,539	515,623
Construction contracts	2,610,934	2,901,003
Current maturities of long-term debt	4,866,353	4,681,388
Accrued interest	90,392	100,857
Total current liabilities	10,175,910	10,365,094
Long-term liabilities:		
Accrued liabilities	651,164	591,437
Accrued compensated absences	956,347	860,776
Long-term debt, excluding current maturities	33,571,042	38,855,409
Total long-term liabilities	35,178,553	40,307,622
Total liabilities	45,354,463	50,672,716
Deferred inflows of resources:		
Deferred inflow for OPEB	65,803	80,644
Total deferred inflows for OPEB	65,803	80,644
Net position:		
Net investment in capital assets	324,621,094	305,797,123
Restricted for debt service	5,526,152	5,515,967
Restricted for capital acquisition	7,060,350	5,570,401
Unrestricted	36,286,243	39,670,428
Total net position	373,493,839	356,553,919
Total liabilities, deferred inflows of resources and net position	\$ 418,914,105	\$ 407,307,279

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, 2020 and 2019

	2020	2019
Operating revenues:		
Water sales	\$ 40,532,869	\$ 37,396,555
Service and materials, net	592,658	982,439
Total operating revenues	41,125,527	38,378,994
Operating expenses:		
Supply, pumping and purification	14,495,335	13,892,524
Transmission and distribution	10,511,152	10,327,170
Administrative and general	3,247,173	3,042,288
Total operating expenses	28,253,660	27,261,982
Operating income	12,871,867	11,117,012
Nonoperating revenues (expenses):		
Investment income	791,260	1,163,609
Interest and amortization expense	(1,136,740)	(1,475,870)
FEMA Proceeds	322,314	-
State grant revenues	577,304	1,204,516
Net costs recoverable	(49,337)	(49,076)
TIF funding	-	688,710
Miscellaneous expense - flood recovery costs, net	(1,250,643)	-
Net nonoperating revenues	(745,842)	1,531,889
Increase in net position before capital contributions	12,126,025	12,648,901
Capital contributions from:		
Developer contributions	2,626,513	2,140,877
Impact fees	1,489,949	1,638,985
Tap fees	707,743	579,972
Total capital contributions	4,824,205	4,359,834
Transfers out	(10,310)	-
Increase in net position	16,939,920	17,008,735
Total net position - beginning	356,553,919	339,545,184
Total net position - ending	\$ 373,493,839	\$ 356,553,919

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, 2020 and 2019

	2020	2019
Operating activities:		
Receipts from customers and users	\$ 39,150,887	\$37,641,244
Payments to suppliers	(11,865,749)	(8,755,309)
Payments to employees	(9,761,484)	(9,127,737)
Net cash provided by operating activities	17,523,654	19,758,198
Noncapital financing activities:		
Decrease (Increase) in due from other funds	514,057	(1,102,856)
Net cash provided by (used in) noncapital financing activities	514,057	(1,102,856)
Capital and related financing activities:		
Acquisition and construction of capital assets	(17,796,297)	(12,184,505)
Principal paid on revenue bonds and long term obligations	(4,681,389)	(4,636,755)
System funds used for bond refunding	-	(41,175)
Interest paid on revenue bonds and long term obligations	(1,488,759)	(1,857,160)
FEMA proceeds	322,315	-
State grant proceeds	577,304	1,204,516
TIF funding	-	688,710
Net cash (used in) capital and related financing activities	(23,066,826)	(16,826,369)
Investing activities:		
Purchases of investments	(22,803,565)	(22,852,771)
Proceeds from sales and investment maturities	31,495,614	20,563,714
Interest on investments	842,416	866,371
Net cash provided by (used in) investing activities	9,534,465	(1,422,686)
Net increase in cash and cash equivalents	4,505,350	406,287
Cash and cash equivalents at beginning of year	1,703,537	1,297,250
Cash and cash equivalents at end of year	\$ 6,208,887	\$ 1,703,537
Composition of equity in pooled cash and investments		
Cash and cash equivalents	\$ 6,208,887	\$ 1,703,537
Investments	19,204,646	27,917,052
Total equity in pooled cash and investments	\$ 25,413,533	\$29,620,589
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 12,871,867	\$ 11,117,012
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	8,819,477	9,064,851
Flood recovery costs	(1,768,596)	-
Changes in operating assets and liabilities:		
Accounts receivable	(2,009,040)	(803,651)
Inventories	(333,760)	16,653
Accounts payable	(414,205)	261,358
Accrued liabilities and deposit liability	216,215	(58,173)
Deferred outflows	(44,632)	10,360
Deferred inflows	14,841	40,846
Accrued compensated absences	171,487	108,942
Total adjustments	4,651,787	8,641,186
Net cash provided by operating activities	\$ 17,523,654	\$ 19,758,198

Supplemental disclosure of noncash transactions:

Contributed capital improvements of \$2,626,513 and \$2,140,877 were added to utility plant in 2020 and 2019, respectively.

Accounts payable incurred for utility plant purchases were \$2,610,934 and \$2,901,003 in 2020 and 2019, 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, 2020 and 2019

(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, 2020 and 2019, 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, 2020 and 2019

(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, 2020 or 2019.

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, 2020 and 2019

(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.

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2020 and 2019

(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.

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, 2020 and 2019

(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, 2020 and 2019:

	<u>August 31, 2020</u>	<u>August 31, 2019</u>
<u>Water Usage</u>		
Residential:		
100 to 800 cubic feet	\$1.482	\$1.411
801 to 2,300 cubic feet	2.107	2.007
2,301 and up	3.265	3.109
Nonresidential low volume user:		
100 to 8,000 cubic feet	1.482	1.411
8,001 and up	2.107	2.007
Nonresidential high volume user:		
Base usage which is average water usage for previous three calendar years	1.407 to 1.551	1.340 to 1.477
<u>Service Charge</u>		
5/8 inch	\$ 7.23	\$ 6.89
5/8 x 3/4 inch	10.94	10.42
3/4 inch	10.94	10.42
1 inch	18.26	17.39
1 1/2 inch	36.42	34.68
2 inch	58.28	55.50
3 inch	109.33	104.13
4 inch	182.25	173.58
6 inch	364.43	347.08
8 inch	583.10	555.33
10 inch	838.27	798.36

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, 2020 and 2019

(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, 2020 and 2019 are summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
August 31, 2020	\$1,376,399	687,110	515,623	1,547,886	591,539
August 31, 2019	\$1,267,455	597,205	488,261	1,376,399	515,623

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2020 and 2019

(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.

(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, 2020 and 2019

(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, 2020 and 2019

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

At August 31, 2020 and 2019, the System had the following investments and maturities:

	August 31, 2020				
	Fair Value	Maturities in Years			Fair Value Measurement
Type		Less than 1	1 - 5	6 - 10	
U.S. Government Sponsored Agencies	\$6,434,331	\$1,550,946	\$3,926,253	\$957,132	Level 2

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

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2020 and 2019

(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, 2020, and 2019, 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 Aa1 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:

	2020	2019
U.S. Government Agency Obligations		
Federal Farm Credit Bank	18.6%	13.9%

The carrying amount of equity interests in pooled cash and investments at August 31, 2020 and 2019 are:

	2020	2019
Equity in pooled cash and investments	\$27,233,062	\$32,430,104
Percentage of City's Pool	7.0%	7.8%

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, 2020 and 2019

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

Investment income for the years ended August 31, 2020 and 2019 consisted of:

	2020	2019
Interest and dividend income	\$763,548	\$ 866,371
Net change in fair value of investments	27,712	297,238
	<u>\$791,260</u>	<u>\$1,163,609</u>

(3) Inventories

Balances of the major classes of inventory at August 31, 2020 and 2019, are shown below:

	2020	2019
Heavy materials	\$1,548,008	\$1,213,019
Diesel fuel	120,651	113,350
Water meters and parts	252,715	250,359
Chemicals	33,505	44,391
Total inventories	<u>\$1,954,879</u>	<u>\$1,621,119</u>

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

Notes to Financial Statements

August 31, 2019 and 2020

(4) Utility Plant

Utility plant is summarized by major classification at August 31, 2020 as follows:

Asset Class	Capital Assets				Accumulated Depreciation				Net Capital Assets	
	August 31, 2019	Increases	Decreases/ Transfers	August 31, 2020	August 31, 2019	Increases	Decreases	August 31, 2020	August 31, 2020	
Airport	\$ 42,172	\$ -	\$ -	\$ 42,172	\$ (29,966)	\$ (422)	\$ -	\$ (30,388)	\$	11,784
Structures and improvements	83,073,962	3,627,726	-	86,701,688	(35,878,681)	(1,629,391)	-	(37,508,072)	\$	49,193,616
Reservoirs	39,941,762	-	-	39,941,762	(17,028,659)	(705,229)	-	(17,733,888)	\$	22,207,874
Other power and production equipment	14,597,970	1,845,411	-	16,443,381	(2,095,070)	(233,394)	-	(2,328,464)	\$	14,114,917
Electric pumping equipment	28,099,289	54,674	-	28,153,963	(13,414,115)	(567,423)	-	(13,981,538)	\$	14,172,425
Purification system	34,472,119	342,751	-	34,814,870	(16,776,971)	(680,801)	-	(17,457,772)	\$	17,357,098
Transmission mains	82,862,028	1,659,554	-	84,521,582	(24,600,843)	(1,233,415)	-	(25,834,258)	\$	58,687,324
Distribution mains and accessories	198,089,713	10,990,746	-	209,080,459	(40,925,097)	(2,520,556)	-	(43,445,653)	\$	165,634,806
Hydrants	4,844,227	-	-	4,844,227	(4,043,186)	(69,616)	-	(4,112,802)	\$	731,425
Office furniture and equipment	2,631,279	50,481	-	2,681,760	(2,361,872)	(105,152)	-	(2,467,024)	\$	214,736
Shop equipment	199,383	-	-	199,383	(197,863)	-	-	(197,863)	\$	1,520
Laboratory equipment	817,731	6,400	-	824,131	(514,717)	(56,609)	-	(571,326)	\$	252,805
Tools and work equipment	526,838	39,522	-	566,360	(388,605)	(33,366)	-	(421,971)	\$	144,389
Communications system	3,534,041	11,930	-	3,545,971	(1,771,068)	(156,637)	-	(1,927,705)	\$	1,618,266
Meters	16,657,113	557,835	-	17,214,948	(11,575,455)	(631,548)	-	(12,207,003)	\$	5,007,945
Vehicles	3,915,210	36,674	-	3,951,884	(2,965,252)	(195,918)	-	(3,161,170)	\$	790,714
Total depreciable assets	514,304,837	19,223,704	-	533,528,541	(174,567,420)	(8,819,477)	-	(183,386,897)		350,141,644
Land and land rights	5,756,709	70	-	5,756,779	-	-	-	-		5,756,779
Construction in progress	6,202,940	19,602,542	(16,495,881)	9,309,601	-	-	-	-		9,309,601
Total nondepreciable assets	11,959,649	19,602,612	(16,495,881)	15,066,380	-	-	-	-		15,066,380
Total capital assets	\$ 526,264,486	\$ 38,826,316	\$ (16,495,881)	\$ 548,594,921	\$ (174,567,420)	\$ (8,819,477)	\$ -	\$ (183,386,897)	\$	365,208,024

The Systems adopted GASB Statement No. 89 in FY 2018, 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 1.65% in 2020.

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/ Transfers	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 in FY 2018, 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, 2020 and 2019

(5) Long-term Liabilities

Long-term debt of the System at August 31, 2020 and 2019 is summarized below:

2020					
Type of Debt	August 31, 2019	Additions	Reductions	August 31, 2020	Due Within One Year
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.	\$ 3,420,000	\$ -	\$1,205,000	\$ 2,215,000	\$1,250,000
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.	14,960,000	-	2,350,000	12,610,000	2,460,000
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	-	465,000	9,705,000	480,000
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)	11,656,899	-	661,388	10,995,511	676,353
Unamortized premium on bonds	3,329,898	-	418,015	2,911,884	-
Total long-term debt	\$43,536,797	\$ -	\$5,099,403	\$38,437,395	\$4,866,353

(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, 2020 and 2019

(5) Long-term Liabilities (continued)

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>

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, 2020 and 2019

(5) Long-term Liabilities (continued)

Maturities and sinking fund requirements on long-term debt at August 31, 2020 are as follows:

Due years ending August 31	Bonds		Loans		Total
	Principal	Interest	Principal	Interest	
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	2,880,000	402,750	739,677	180,292	4,202,719
2026 – 2030	3,525,000	1,075,500	3,957,132	642,714	9,200,346
2031 – 2035	3,500,000	275,950	3,500,075	179,492	7,455,517
Total	\$24,530,000	\$4,654,950	\$10,995,511	\$1,883,747	\$42,064,208

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 \$42,064,028, with annual payments expected to require 27 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$6,170,148 and \$24,758,800, 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.

Construction contract payables of the System at August 31, 2020 and 2019 are summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
August 31, 2020	\$2,901,003	2,610,934	2,901,003	2,610,934	2,610,934
August 31, 2019	\$2,568,490	2,901,003	2,568,490	2,901,003	2,901,003

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2020 and 2019

(6) Commitments and Contingencies

Construction Commitments:

The System has commitments under major construction contracts in progress of approximately \$7,654,769 at August 31, 2020 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 \$381,800 and \$366,000 in 2020 and 2019, 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.

COVID-19:

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries and their political subdivision. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the System. The extent to which COVID-19 may affect the System's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information, which may emerge concerning the severity of COVID-19 and actions taken to contain COVID-19 or its impact, among others.

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2020 and 2019

(6) Commitments and Contingencies (continued)

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

Extra precautions were taken at Lincoln Water System in order to maintain operations and insure safe drinking water for the City of Lincoln. Operators sheltered at work for a brief period of time and maintained separation at all times during the pandemic. Construction and Service crews remote dispatched to prevent gathering at a centralized location. Sanitation / disinfection services were used when a COVID case occurred. Additional sanitizing stations, sanitizing supplies and face masks were used throughout the pandemic. Meter replacement was halted when high rates of infection were indicated by Lincoln Lancaster County Health Department. All other operations were not disrupted.

(7) Related Party Transactions

The City billed the System approximately \$626,000 and \$576,000 for administrative services during 2020 and 2019, 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 \$1,262,000 and \$1,199,000 during 2020 and 2019, respectively. At August 31, 2020 and 2019, approximately \$167,000 and \$153,000, 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 \$7,060,350 and \$5,570,401 as of August 31, 2020 and 2019, 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 \$1,233,951 and \$1,240,365 as of August 31, 2020 and 2019, 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, 2020 and 2019

(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 \$656,000 and \$616,000 for 2020 and 2019, respectively. Contributions made by the plan members were approximately \$394,000 and \$338,000 for 2020 and 2019, 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 \$9,424,589 and \$8,577,078 for the years ended August 31, 2020 and 2019 respectively. The System's allocation proportion is 7.31 percent for the years ended August 31, 2020 and 2019.

The System has recognized a long-term accrued liability for its allocated portion of the City's total OPEB liability of approximately \$651,000 and \$591,000 as of August 31, 2020 and 2019 respectively, in connection with GASB Statement No. 75. The System has also recognized a deferred outflow and inflow of resources of approximately \$79,750 and \$65,800, respectively for its allocated portion as of August 31, 2020. The System 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 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, 2020

Due years ending August 31	Series 2012		Series 2013		NDEQ Loan (D311548) 2011		Series 2019		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
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	-	-	2,285,000	91,400	739,677	180,292	595,000	311,350	3,619,677	583,042	4,202,719
2026-2030	-	-	-	-	3,957,132	642,714	3,525,000	1,075,500	7,482,132	1,718,214	9,200,346
2031-2034	-	-	-	-	3,500,075	179,492	3,500,000	275,950	7,000,075	455,442	7,455,517
	\$ 2,215,000	\$ 127,200	\$ 12,610,000	\$ 1,351,800	\$ 10,995,511	\$ 1,883,747	\$ 9,705,000	\$ 3,175,950	\$ 35,525,511	\$ 6,538,697	\$ 42,064,208

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
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	1,749,403	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

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

Schedule 3

Utility Plant in Service

August 31, 2019 and 2020

Asset Class	Capital Assets				Accumulated Depreciation				Net Capital Assets
	August 31, 2019	Increases	Decreases/ Transfers	August 31, 2020	August 31, 2019	Increases	Decreases	August 31, 2020	August 31, 2020
Lincoln Water Plant:									
Airport	\$ 42,172	\$ -	\$ -	\$ 42,172	\$ (29,966)	\$ (422)	\$ -	\$ (30,388)	\$ 11,784
Structures and improvements	16,861,251	1,278,529	-	18,139,780	(9,918,686)	(376,724)	-	(10,295,410)	7,844,370
Reservoirs	27,472,634	-	-	27,472,634	(13,025,360)	(518,692)	-	(13,544,052)	13,928,582
Other power and production equipment	49,888	37,981	-	87,869	(22,883)	(5,460)	-	(28,343)	59,526
Electric pumping equipment	19,340,389	54,674	-	19,395,063	(6,623,249)	(418,296)	-	(7,041,545)	12,353,518
Purification system	-	-	-	-	1,072	-	-	1,072	1,072
Transmission mains	33,872,626	-	-	33,872,626	(10,627,583)	(410,890)	-	(11,038,473)	22,834,153
Distribution mains and accessories	198,089,713	10,990,746	-	209,080,459	(40,925,097)	(2,520,556)	-	(43,445,653)	165,634,806
Hydrants	4,844,227	-	-	4,844,227	(4,043,186)	(69,616)	-	(4,112,802)	731,425
Office furniture and equipment	2,523,732	50,481	-	2,574,213	(2,278,216)	(102,408)	-	(2,380,624)	193,589
Shop equipment	181,432	-	-	181,432	(179,912)	-	-	(179,912)	1,520
Laboratory equipment	49,984	-	-	49,984	(10,101)	(4,203)	-	(14,304)	35,680
Tools and work equipment	389,806	25,146	-	414,952	(270,815)	(25,786)	-	(296,601)	118,351
Communications system	1,547,231	11,930	-	1,559,161	(866,613)	(55,755)	-	(922,368)	636,793
Meters	16,657,113	557,835	-	17,214,948	(11,575,455)	(631,548)	-	(12,207,003)	5,007,945
Lincoln depreciable assets	321,922,198	13,007,322	-	334,929,520	(100,396,050)	(5,140,356)	-	(105,536,406)	229,393,114
Land and land rights	1,913,543	70	-	1,913,613	-	-	-	-	1,913,613
Lincoln nondepreciable assets	1,913,543	70	-	1,913,613	-	-	-	-	1,913,613
Total Lincoln plant	323,835,741	13,007,392	-	336,843,133	(100,396,050)	(5,140,356)	-	(105,536,406)	231,306,727
Ashland Water Plant:									
Structures and improvements	66,212,711	2,349,197	-	68,561,908	(25,959,995)	(1,252,667)	-	(27,212,662)	41,349,246
Reservoirs	12,469,128	-	-	12,469,128	(4,003,299)	(186,537)	-	(4,189,836)	8,279,292
Transmission mains	48,989,402	1,659,554	-	50,648,956	(13,973,260)	(822,525)	-	(14,795,785)	35,853,171
Office furniture and equipment	107,547	-	-	107,547	(83,656)	(2,744)	-	(86,400)	21,147
Shop equipment	17,951	-	-	17,951	(17,951)	-	-	(17,951)	-
Laboratory equipment	767,747	6,400	-	774,147	(504,616)	(52,406)	-	(557,022)	217,125
Other power and production equipment	14,548,082	1,807,430	-	16,355,512	(2,072,187)	(227,934)	-	(2,300,121)	14,055,391
Electric pumping equipment	8,758,900	-	-	8,758,900	(6,790,866)	(149,127)	-	(6,939,993)	1,818,907
Purification system	34,472,119	342,751	-	34,814,870	(16,778,043)	(680,801)	-	(17,458,844)	17,356,026
Communications Systems	1,986,810	-	-	1,986,810	(904,455)	(100,882)	-	(1,005,337)	981,473
Tools and work equipment	137,032	14,376	-	151,408	(117,790)	(7,580)	-	(125,370)	26,038
Ashland depreciable assets	188,467,429	6,179,708	-	194,647,137	(71,206,118)	(3,483,203)	-	(74,689,321)	119,957,816
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	192,310,595	6,179,708	-	198,490,303	(71,206,118)	(3,483,203)	-	(74,689,321)	123,800,982
Vehicles and work equipment (all locations)	3,915,210	36,674	-	3,951,884	(2,965,252)	(195,918)	-	(3,161,170)	790,714
Utility plant in service	\$ 520,061,546	\$ 19,223,774	\$ -	\$ 539,285,320	\$ (174,567,420)	\$ (8,819,477)	\$ -	\$ (183,386,897)	\$ 355,898,423
Construction in progress	6,202,940	19,602,542	(16,495,881)	9,309,601	-	-	-	-	9,309,601
Total capital assets	\$ 526,264,486	\$ 38,826,316	\$ (16,495,881)	\$ 548,594,921	\$ (174,567,420)	\$ (8,819,477.00)	\$ -	\$ (183,386,897)	\$ 365,208,024

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

Schedule 4

GENERAL STATISTICS

Year Ended August 31, 2020

(Unaudited)

Altitude of Lincoln, Nebraska	1,167 Feet
Area of Lincoln, Nebraska	100.01 Square Miles
Population	289,102 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, 2020	30.66
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, 2019	1,141.7
Estimated Added During Year	26.3
Estimated Removed During Year	7.1
Total as of August 31, 2020	1,160.9 Miles
Amount of Water Pumped During Year Ended August 31, 2020	12,094,473,422 gallons
Average Daily Consumption of Water	33,135,544 gallons
Average Daily Consumption Per Capita	115 gallons
Total Number of Active Residential Water Customers	
End of Fiscal Year	81,592
Total Number of Active Non-Residential Water Customers	
End of Fiscal Year	5,144
Total Debt of Lincoln Water System at August 31, 2020	\$35,525,511

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

TOP TEN CUSTOMERS

Year Ended August 31, 2020

(Unaudited)

	<u>USAGE</u> (HCF)	<u>AMOUNT</u>
1. University of Nebraska	369,737	\$932,640
2. State of Nebraska	290,427	681,939
3. Archer Daniels Midland Company	235,973	335,402
4. City of Lincoln	232,062	620,792
5. AH 42 LLC	143,067	212,654
6. University of Nebraska Foundation	124,215	178,225
7. Bryan Health	120,699	299,340
8. Veyance Technologies, Inc.	118,208	183,215
9. Lincoln Public Schools	115,290	370,689
10. Lincoln Industries, Inc.	105,876	156,780
Top Ten Users Totals	1,855,554	\$3,971,675

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, 2020	August 31, 2019	August 31, 2018	August 31, 2017	August 31, 2016
September	1,303,338,007	1,118,530,000	1,385,561,000	1,201,519,000	1,155,406,000
October	877,391,540	885,500,000	955,275,000	1,051,404,000	1,125,392,000
November	773,648,779	775,770,000	823,625,000	886,902,000	844,195,000
December	758,809,331	788,900,000	804,799,000	812,407,000	800,997,000
January	752,903,780	797,900,000	830,465,000	813,245,000	810,486,000
February	721,612,879	728,090,000	748,625,000	736,036,000	753,974,000
March	764,714,547	773,090,000	797,403,000	822,544,000	822,242,000
April	833,992,145	859,620,000	830,788,000	868,221,000	922,688,000
May	1,006,963,519	929,250,000	1,262,579,000	985,334,000	921,848,000
June	1,300,935,234	1,022,450,000	1,422,256,000	1,438,168,000	1,597,790,000
July	1,421,182,548	1,630,220,000	1,462,365,000	1,517,563,000	1,583,224,000
August	1,578,981,113	1,327,380,000	1,354,228,000	1,365,059,000	1,384,829,000
Total	12,094,473,422	11,636,700,000	12,677,969,000	12,498,402,000	12,723,071,000

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	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
September	3.04	3.15	3.40	7.13	1.85	3.38	4.93	6.89	1.99	1.73	1.33	3.73
October	2.13	1.96	4.69	2.71	4.90	1.86	0.50	2.46	2.83	1.92	0.93	0.13
November	1.25	1.27	0.79	1.19	0.07	0.65	1.98	0.47	1.22	0.15	1.66	1.97
December	1.15	0.89	2.57	3.32	0.38	1.59	4.42	1.22	0.22	1.50	1.58	0.24
January	0.72	0.66	1.29	0.75	0.41	1.10	0.83	0.91	0.24	0.73	0.16	1.07
February	0.89	0.94	0.13	1.59	0.74	0.55	0.76	0.93	0.62	0.54	2.10	0.79
March	1.54	1.57	1.67	2.65	2.71	1.62	0.93	0.77	0.13	2.12	0.89	0.66
April	2.60	2.62	0.88	1.13	0.67	3.55	4.37	1.99	3.50	4.02	3.49	3.27
May	4.77	3.94	5.09	7.29	2.23	6.29	5.42	10.90	5.26	8.44	3.00	6.00
June	4.46	4.25	3.15	4.38	8.83	7.35	0.58	7.66	5.90	2.49	3.57	3.44
July	3.26	3.36	5.73	4.08	1.35	5.99	4.67	2.39	0.51	1.00	0.33	1.55
August	3.41	3.49	1.27	2.79	4.35	3.38	3.83	3.78	7.54	1.11	0.30	6.89
Total	29.22	28.09	30.66	39.01	28.49	37.31	33.22	40.37	29.96	25.75	19.34	29.74

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

WATER ANALYSIS

(All Results in Parts Per Million)
 (Collected July 23, 2020)
 (Unaudited)

550 W. Cornhusker Hwy.

Hydrogen Ion Concentration (pH)	7.55
Total Dissolved Solids.....	383 ppm.
Total Iron (Fe)	<0.050 ppm.
Manganese (Mn).....	0.002 ppm.
Calcium (as Ca)	60.4 ppm.
Total Alkalinity (CaCO ₃).....	174 ppm.
Chloride (Cl).....	23.5 ppm.
Fluoride (F)	0.89 ppm.
Nitrate (+Nitrite)	0.70 ppm.
Sodium (Na).....	35.2 ppm.
Hardness as (CaCO ₂)	
Total Hardness	220 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, 2020

(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	3000027-3
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	1056249
Money and Securities	Inside/outside premises	3,000,000	25,000	10,000	Hartford Fire	83FA029203119
Water Distribution	Water distribution center	Per Property Schedule	100,000	10,000	FM Global	1056249
Data Processing Equipment	Computer equipment, data and media	Replacement cost	100,000	2,500	FM Global	1056249
Equipment Floater (911)	Radio tower floater	Replacement cost	100,000	2,500	FM Global	1056249
Equipment Floater (NON-LIC)	Nonlicensed scheduled equipment	Actual Cash Value	100,000	2,500	FM Global	1056249
General Liability ***	\$6,000,000 occurrence / \$12,000,000 annual aggregate	6,000,000	250,000	0	States	3000027-3
Public Employee Blanket Bond	Employees blanket bond coverage	3,000,000	25,000	10,000	Hartford Fire	83FA029203119
Public Officials Liability***	\$6,000,000 occurrence / \$12,000,000 annual aggregate	6,000,000	250,000	0	States	3000027-3
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	MTP903493602

** 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.