

Lincoln Water System 2021



**Financial Statements & Schedules
Fiscal Year Ended August 31, 2021**

ANNUAL FINANCIAL REPORT

DEPARTMENT OF TRANSPORTATION AND UTILITIES

CITY OFFICIALS

Leirion Gaylor Baird..... Mayor

COUNCIL MEMBERS

James Michael BowersChair

Tammy Ward.....Vice-Chair

Tom Beckius

Richard Meginnis

Jane Raybould

Bennie Shobe

Sandra Washington

WATER SYSTEM

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

Donna K. GardenAssistant Director of Transportation and Utilities

Lincoln Water System
August 31, 2021 and 2020

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Independent Auditor's Report

RSM US LLP

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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, 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.

Other 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.

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 VS LLP

Omaha, Nebraska
February 22, 2022

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LINCOLN WATER SYSTEM

Management's Discussion and Analysis

This Management's Discussion and Analysis of the Lincoln Water System's (the "System") financial performance provides an overview of the financial activities for the years ended August 31, 2021 and 2020. 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 \$19,685,943 in 2021 over 2020 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, 2021, 2020, and 2019.

Table 1

Condensed Net Position Information

	August 31		Change	
	2021	2020	Dollars	Percent
Current assets	\$ 44,016,773	\$ 35,819,320	\$ 8,197,453	22.89%
Capital assets	371,273,675	365,208,024	6,065,651	1.66%
Noncurrent assets	19,679,357	17,345,613	2,333,744	13.45%
Deferred outflows of resources	595,562	541,148	54,414	10.06%
Total assets and deferred outflows or resources	435,565,367	418,914,105	16,651,262	3.97%
Current liabilities	11,953,624	10,175,910	1,777,714	17.47%
Long-term liabilities	30,386,288	35,178,553	(4,792,265)	(13.62%)
Deferred inflows	45,673	65,803	(20,130)	(30.59%)
Total liabilities and deferred inflows of resources	42,385,585	45,420,266	(3,034,681)	(6.68%)
Net position				
Net investment in capital assets	333,898,899	324,621,094	9,277,805	2.86%
Restricted for debt service	6,312,997	8,077,929	(1,764,932)	(21.85%)
Restricted for capital acquisition	8,356,117	7,060,350	1,295,767	18.35%
Unrestricted	44,611,769	33,734,466	10,877,303	32.24%
Total net position	393,179,782	373,493,839	19,685,943	5.27%
Total liabilities and net position	\$435,565,367	\$418,914,105	\$16,651,262	3.97%

Financial Highlights – Fiscal Year 2021

- Current assets increased in part due to a growth in cash and an increase in rates and usage.
- Capital assets increased due to a substantial completion of capital projects, including Annual Selected Main Replacements and Water Treatment Plant Chemical Feed Equipment Replacement.
- Long term liabilities decreased primarily due to debt service payments made during the year.

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

	August 31		Change	
	2021	2020	Dollars	Percent
Operating revenues				
Water revenue	\$47,148,641	\$40,532,869	\$6,615,772	16.32%
Other revenue	806,819	592,658	214,161	36.14%
Total operating revenues	47,955,460	41,125,527	6,829,933	16.61%
Nonoperating revenues				
Investment income	33,444	791,260	(757,816)	(95.77%)
Grant revenues	1,087,343	577,304	510,039	88.35%
Insurance Proceeds & FEMA	3,355,531	322,314	3,033,217	100.00%
Total nonoperating revenues	4,476,318	1,690,878	2,785,440	164.73%
Total revenues	52,431,778	42,816,405	9,615,373	22.46%
Operating expenses				
Supply, pumping and purification	15,333,750	14,495,335	838,415	5.78%
Transmission and distribution	11,447,545	10,511,152	936,393	8.91%
Administrative and accounting	3,287,536	3,247,173	40,363	1.24%
Total operating expenses	30,068,831	28,253,660	1,815,171	6.42%
Nonoperating expenses				
Interest and amortization expense	933,405	1,136,740	(203,335)	(17.89%)
Net costs recoverable	49,337	49,337	-	0.00%
Flood Repairs - Ashland	7,209,557	1,250,643	5,958,914	476.47%
Total nonoperating expenses	8,192,299	2,436,720	5,755,579	236.20%
Total expenses	38,261,130	30,690,380	7,570,750	24.67%
Income before contributions and transfers	14,170,648	12,126,025	2,044,623	16.86%
Net transfers out	(10,406)	(10,310)	(96)	0.93%
Capital contributions	5,525,701	4,824,205	701,496	14.54%
Change in net position	\$19,685,943	\$16,939,920	\$2,746,023	16.21%

Financial Highlights – Fiscal Year 2021

- Increase in operating revenues due to a combination of 6% rate increase implemented November 2020 and an increase in usage.
- Increase in nonoperating revenues due primarily to insurance and FEMA reimbursements for 2019 flood damage.
- Increase in nonoperating expenses due to 2019 flood repair expenditures.

Table 4**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.

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.

Capital Asset Activity

The System's investment in capital assets as of August 31, 2021 amounts to \$371,273,675 (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 \$7,081,278 at August 31, 2021 to be paid with revenue proceeds.

Forward-Looking Information

The approved Capital Improvement Program for Fiscal Year 2021/22 - 2026/27 identifies the need for \$221,166,900 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 2021, the Lincoln City Council approved a 6% revenue increase effective November 2021. 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 2021 and 2020. 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, 2021 and 2020**

Assets and Deferred Outflows of Resources	2021	2020
Current assets:		
Equity in pooled cash and investments	\$ 30,446,937	\$ 23,679,542
Receivables:		
Accounts receivable	4,457,559	3,421,529
Unbilled revenues	6,261,653	5,529,419
Due from other funds	1,147,942	1,233,951
Total receivables	11,867,154	10,184,899
Inventories	1,702,682	1,954,879
Total current assets	44,016,773	35,819,320
Noncurrent assets:		
Equity in pooled cash and investments	4,681,104	1,819,529
Restricted assets:		
Equity in pooled cash and investments	477,731	1,733,991
Investments	5,916,329	6,434,330
Impact fees receivable	8,356,117	7,060,350
Total restricted assets	14,750,177	15,228,671
Utility plant:		
Non-depreciable	11,931,913	15,066,380
Depreciable	551,710,304	533,528,541
Less accumulated depreciation	(192,368,542)	(183,386,897)
Net utility plant	371,273,675	365,208,024
Costs recoverable from future billings	248,076	297,413
Total noncurrent assets	390,953,032	382,553,637
Total assets	434,969,805	418,372,957
Deferred outflows of resources:		
Deferred loss on refunding	384,939	461,397
OPEB related items	210,623	79,751
Total deferred outflows	595,562	541,148
Total assets and deferred outflows of resources	\$ 435,565,367	\$ 418,914,105

Liabilities, Deferred Inflows of Resources and Net Position

Current liabilities:		
Accounts payable	\$ 808,753	\$ 756,847
Accrued liabilities	971,319	1,037,495
Deposits liability	234,550	222,350
Accrued compensated absences	549,594	591,539
Construction contracts	4,606,688	2,610,934
Current maturities of long-term debt	4,701,657	4,866,353
Accrued interest payable from restricted assets	81,063	90,392
Total current liabilities	11,953,624	10,175,910
Long-term liabilities:		
Accrued liabilities	776,211	651,164
Accrued compensated absences	1,158,707	956,347
Long-term debt, excluding current maturities	28,451,370	33,571,042
Total long-term liabilities	30,386,288	35,178,553
Total liabilities	42,339,912	45,354,463
Deferred inflows of resources:		
OPEB related items	45,673	65,803
Total deferred inflows for OPEB	45,673	65,803
Net position:		
Net investment in capital assets	333,898,899	324,621,094
Restricted for debt service	6,312,997	8,077,929
Restricted for capital acquisition	8,356,117	7,060,350
Unrestricted	44,611,769	33,734,466
Total net position	393,179,782	373,493,839
Total liabilities, deferred inflows of resources and net position	\$ 435,565,367	\$ 418,914,105

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, 2021 and 2020

	2021	2020
Operating revenues:		
Water sales	\$ 47,148,641	\$ 40,532,869
Service and materials, net	806,819	592,658
Total operating revenues	47,955,460	41,125,527
Operating expenses:		
Supply, pumping and purification	15,333,750	14,495,335
Transmission and distribution	11,447,545	10,511,152
Administrative and general	3,287,536	3,247,173
Total operating expenses	30,068,831	28,253,660
Operating income	17,886,629	12,871,867
Nonoperating revenues (expenses):		
Investment income	33,444	791,260
Interest and amortization expense	(933,405)	(1,136,740)
FEMA proceeds	361,806	322,314
State grant revenues	1,087,343	577,304
Net costs recoverable	(49,337)	(49,337)
Miscellaneous expense - flood recovery costs, net	(4,215,832)	(1,250,643)
Net nonoperating revenues	(3,715,981)	(745,842)
Increase in net position before capital contributions	14,170,648	12,126,025
Capital contributions from:		
Developer contributions	2,860,200	2,626,513
Impact fees	1,848,226	1,489,949
Tap fees	817,275	707,743
Total capital contributions	5,525,701	4,824,205
Transfers out	(10,406)	(10,310)
Increase in net position	19,685,943	16,939,920
Total net position - beginning	373,493,839	356,553,919
Total net position - ending	\$ 393,179,782	\$ 373,493,839

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, 2021 and 2020

	2021	2020
Operating activities:		
Receipts from customers and users	\$ 44,903,630	\$ 39,150,887
Payments to suppliers	(18,202,694)	(11,865,749)
Payments to employees	(9,602,424)	(9,761,484)
Net cash provided by operating activities	17,098,512	17,523,654
Noncapital financing activities:		
Insurance Proceeds	2,993,726	517,953
Transfers to other funds	(10,406)	(10,310)
Increase in due from other funds	122,170	6,414
Net cash provided by noncapital financing activities	3,105,490	514,057
Capital and related financing activities:		
Acquisition and construction of capital assets	(7,566,577)	(17,796,297)
Principal paid on revenue bonds and long term obligations	(4,866,353)	(4,681,389)
Interest paid on revenue bonds and long term obligations	(1,284,292)	(1,488,759)
FEMA proceeds	361,807	322,315
State grant proceeds	1,087,343	577,304
Net cash used in capital and related financing activities	(12,268,072)	(23,066,826)
Investing activities:		
Purchases of investments	(29,970,521)	(22,803,565)
Proceeds from sales and investment maturities	23,723,936	31,495,614
Interest on investments	221,732	842,416
Net cash provided by (used in) investing activities	(6,024,853)	9,534,465
Net increase in cash and cash equivalents	1,911,077	4,505,350
Cash and cash equivalents at beginning of year	6,208,887	1,703,537
Cash and cash equivalents at end of year	\$ 8,119,964	\$ 6,208,887
Composition of equity in pooled cash and investments		
Cash and cash equivalents	\$ 8,119,964	\$ 6,208,887
Investments	27,485,808	21,024,175
Total equity in pooled cash and investments	\$ 35,605,772	\$ 27,233,062
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 17,886,629	\$ 12,871,867
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	9,022,382	8,819,477
Flood recovery costs	(7,209,557)	(1,768,596)
Changes in operating assets and liabilities:		
Accounts receivable	(3,064,031)	(2,009,040)
Inventories	252,197	(333,760)
Accounts payable	51,904	(414,205)
Accrued liabilities and deposit liability	(152,429)	216,215
Deferred outflows	130,872	(44,632)
Deferred inflows	20,130	14,841
Accrued compensated absences	160,415	171,487
Total adjustments	(788,117)	4,651,787
Net cash provided by operating activities	\$ 17,098,512	\$ 17,523,654

Supplemental disclosure of noncash transactions:

Contributed capital improvements of \$2,860,200 and \$2,626,513 were added to utility plant in 2021 and 2020, respectively.

Accounts payable incurred for utility plant purchases were \$4,606,688 and \$2,610,934 in 2021 and 2020, 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, 2021 and 2020

(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, 2021, and 2020, 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, 2021 and 2020

(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, 2021 or 2020. Water usage amounts charged together with all other charges and penalties are declared to be a lien on the property until paid.

Restricted Assets

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

Utility Plant (Capital Assets)

The cost of additions and replacements to utility plant are capitalized. Cost includes labor, materials, payments to contractors, and equipment use. 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, 2021 and 2020

(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. Cash and equity in the City's pooled cash and investments with original maturities of more than three (3) months are presented as investments.

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, 2021 and 2020

(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.

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, 2021 and 2020

(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, 2021, and 2020:

	<u>August 31, 2021</u>	<u>August 31, 2020</u>
<u>Water Usage</u>		
Residential:		
100 to 800 cubic feet	\$1.571	\$1.482
801 to 2,300 cubic feet	2.233	2.107
2,301 and up	3.460	3.265
Nonresidential low volume user:		
100 to 8,000 cubic feet	1.571	1.482
8,001 and up	2.233	2.107
Nonresidential high-volume user:		
Base usage which is average water usage for previous three calendar years	1.491 to 1.644	1.407 to 1.551
<u>Service Charge</u>		
5/8 inch	\$ 7.67	\$ 7.23
5/8 x 3/4 inch	11.59	10.94
3/4 inch	11.59	10.94
1 inch	19.35	18.26
1 1/2 inch	38.60	36.42
2-inch	61.77	58.28
3-inch	115.90	109.33
4-inch	193.19	182.25
6-inch	386.30	364.43
8-inch	618.09	583.10
10-inch	888.57	838.27

In August 2020, the Lincoln City Council approved a 6% revenue increase effective in November 2020.

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, 2021 and 2020

(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, 2021 and 2020 are summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
August 31, 2021	\$1,547,886	751,954	591,539	1,708,301	549,594
August 31, 2020	\$1,376,399	687,110	515,623	1,547,886	591,539

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2021 and 2020

(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.

Reclassifications

Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 financial statement presentation. These reclassifications had no effect on ending net position or changes in 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, 2021 and 2020

(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, 2021 and 2020

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

At August 31, 2021 and 2020, the System had the following investments and maturities:

Type	August 31, 2021				Fair Value Measurement
	Fair Value	Maturities in Years			
		Less than 1	1 - 5	6 - 10	
U.S. Government Sponsored Agencies	\$5,916,329	\$1,200,420	\$3,776,746	\$939,163	Level 2

	August 31, 2020				
Type	Fair Value	Maturities in Years			Fair Value Measurement
		Less than 1	1 - 5	6 - 10	
U.S. Government					
Sponsored Agencies	\$6,434,330	\$1,550,946	\$3,926,253	\$957,131	Level 2

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2021 and 2020

(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, 2021, and 2020, 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:

	2021	2020
U.S. Government Agency Obligations		
Federal Farm Credit Bank	13.8%	18.6%

The carrying amount of equity interests in pooled cash and investments at August 31, 2021 and 2020 are:

	2021	2020
Equity in pooled cash and investments	\$35,605,772	\$27,233,062
Percentage of City's Pool	7.4%	7.0%

Please refer to the City's Annual Comprehensive 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 <https://www.lincoln.ne.gov/City/Departments/Finance/Accounting>.

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

Notes to Financial Statements

August 31, 2021 and 2020

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

Investment income for the years ended August 31, 2021 and 2020 consisted of:

	2021	2020
Interest and dividend income	\$69,605	\$763,548
Net change in fair value of investments	(36,161)	27,712
	<u>\$33,444</u>	<u>\$791,260</u>

(3) Inventories

Balances of the major classes of inventory at August 31, 2021 and 2020, are shown below:

	2021	2020
Heavy materials	\$1,246,120	\$1,548,008
Diesel fuel	106,048	120,651
Water meters and parts	302,559	252,715
Chemicals	47,955	33,505
Total inventories	<u>\$1,702,682</u>	<u>\$1,954,879</u>

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

Notes to Financial Statements

August 31, 2020 and 2021

(4) Utility Plant

Utility plant is summarized by major classification at August 31, 2021 as follows:

Asset Class	Capital Assets				Accumulated Depreciation				Net Capital Assets
	August 31, 2020	Increases	Decreases/ Transfers	August 31, 2021	August 31, 2020	Increases	Decreases	August 31, 2021	August 31, 2021
Airport	\$ 42,172	\$ -	\$ -	\$ 42,172	\$ (30,388)	\$ (422)	\$ -	\$ (30,810)	\$ 11,362
Structures and improvements	86,701,688	73,080	-	86,774,768	(37,508,072)	(1,681,737)	-	(39,189,809)	47,584,959
Reservoirs	39,941,762	-	-	39,941,762	(17,733,888)	(704,937)	-	(18,438,825)	21,502,937
Other power and production equipment	16,443,381	2,899,916	-	19,343,297	(2,328,464)	(321,049)	-	(2,649,513)	16,693,784
Electric pumping equipment	28,153,963	10,693	-	28,164,656	(13,981,538)	(565,831)	-	(14,547,369)	13,617,287
Purification system	34,814,870	2,525,839	-	37,340,709	(17,457,772)	(692,818)	-	(18,150,590)	19,190,119
Transmission mains	84,521,582	915	-	84,522,497	(25,834,258)	(1,258,183)	-	(27,092,441)	57,430,056
Distribution mains and accessories	209,080,459	11,159,139	-	220,239,598	(43,445,653)	(2,653,543)	-	(46,099,196)	174,140,402
Hydrants	4,844,227	-	-	4,844,227	(4,112,802)	(68,105)	-	(4,180,907)	663,320
Office furniture and equipment	2,681,760	26,991	-	2,708,751	(2,467,024)	(22,347)	-	(2,489,371)	219,380
Shop equipment	199,383	-	-	199,383	(197,863)	-	-	(197,863)	1,520
Laboratory equipment	824,131	37,600	-	861,731	(571,326)	(54,466)	-	(625,792)	235,939
Tools and work equipment	566,360	24,507	(4,548)	586,319	(421,971)	(39,664)	2,202	(459,433)	126,886
Communications system	3,545,971	675,632	-	4,221,603	(1,927,705)	(161,963)	-	(2,089,668)	2,131,935
Meters	17,214,948	705,939	-	17,920,887	(12,207,003)	(650,143)	-	(12,857,146)	5,063,741
Vehicles	3,951,884	101,595	(55,535)	3,997,944	(3,161,170)	(147,174)	38,535	(3,269,809)	728,135
Total depreciable assets	533,528,541	18,241,846	(60,083)	551,710,304	(183,386,897)	(9,022,382)	40,737	(192,368,542)	359,341,762
Land and land rights	5,756,779	204	-	5,756,983	-	-	-	-	5,756,983
Construction in progress	9,309,601	13,742,464	(16,877,135)	6,174,930	-	-	-	-	6,174,930
Total nondepreciable assets	15,066,380	13,742,668	(16,877,135)	11,931,913	-	-	-	-	11,931,913
Total capital assets	\$ 548,594,921	\$ 31,984,514	\$ (16,937,218)	\$ 563,642,217	\$ (183,386,897)	\$ (9,022,382)	\$ 40,737	\$ (192,368,542)	\$ 371,273,675

The composite depreciation rate was approximately 1.65% in 2021.

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 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, 2021 and 2020

(5) Long-term Liabilities

Long-term debt of the System at August 31, 2021 and 2020 is summarized below:

2021					
Type of Debt	August 31, 2020	Additions	Reductions	August 31, 2021	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.	\$ 2,215,000	\$ -	\$1,250,000	\$ 965,000	\$ 965,000
1.0% - 5.0% Water Revenue Bonds, Refunding Series 2013. Interest due semi-annually on February 15 and August 15. Principal payments due annually on August 15 through 2025. Redeemable at par on or after August 15, 2023.	12,610,000	-	2,460,000	10,150,000	2,540,000
3.0% - 5.0% Water Revenue Bonds, Refunding Series 2019. Interest due semi-annually on February 15 and August 15. Principal payments due annually on August 15 through 2034. Redeemable at par on or after August 15, 2029.	9,705,000	-	480,000	9,225,000	505,000
2.25% Nebraska Department of Environment and Energy (NDEE)* 2011 project loan payable. Principal and interest due semi-annually on June 15 and December 15, with final payment in 2034. (1)	10,995,511	-	676,353	10,319,158	691,657
Unamortized premium on bonds	2,911,884	-	418,015	2,493,869	-
Total long-term debt	\$38,437,395	\$ -	\$5,284,368	\$33,153,027	\$4,701,657

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

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

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

Notes to Financial Statements

August 31, 2021 and 2020

(5) Long-term Liabilities (continued)

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 Environment and Energy (NDEE)* 2011 project loan payable. Principal and interest due semi-annually on June 15 and December 15, with final payment in 2034. (1)	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	<u>\$43,536,797</u>	<u>\$ -</u>	<u>\$5,099,403</u>	<u>\$38,437,395</u>	<u>\$4,866,353</u>

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

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

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

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2021 and 2020

(5) Long-term Liabilities (continued)

Maturities and sinking fund requirements on long-term debt at August 31, 2021 are as follows:

Due years ending August 31	Bonds		Loans		Total
	Principal	Interest	Principal	Interest	
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	625,000	281,600	756,413	163,556	1,826,569
2027 – 2031	3,720,000	907,100	4,046,669	553,178	9,226,947
2032 – 2034	2,680,000	162,750	2,654,125	105,472	5,602,347
Total	\$20,340,000	\$3,722,550	\$10,319,158	\$1,640,131	\$36,021,839

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 \$36,021,839, with annual payments expected to require 25 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$6,150,542 and \$29,607,955, respectively.

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

Construction contract payables of the System at August 31, 2021 and 2020 are summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
August 31, 2021	\$2,610,934	4,606,688	2,610,934	4,606,688	4,606,688
August 31, 2020	\$2,901,003	2,610,934	2,901,003	2,610,934	2,610,934

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2021 and 2020

(6) Commitments and Contingencies

Construction Commitments:

The System has commitments under major construction contracts in progress of approximately \$7,081,278 at August 31, 2021 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 \$609,300 and \$381,800 in 2021 and 2020, 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, 2021 and 2020

(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 \$832,000 and \$626,000 for administrative services during 2021 and 2020, 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 \$1,378,000 and \$1,262,000 during 2021 and 2020, respectively. At August 31, 2021 and 2020, approximately \$81,000 and \$167,000, 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 \$8,356,117 and \$7,060,350 as of August 31, 2021 and 2020, 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 \$1,147,942 and \$1,233,951 as of August 31, 2021 and 2020, 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, 2021 and 2020

(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 \$638,300 and \$656,000 for 2021 and 2020, respectively. Contributions made by the plan members were approximately \$383,000 and \$394,000 for 2021 and 2020, 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 \$10,952,690 and \$9,424,589 for the years ended August 31, 2021 and 2020 respectively. The System's allocation proportion is 7.32 percent for the years ended August 31, 2021 and 2020.

The System has recognized a long-term accrued liability for its allocated portion of the City's total OPEB liability of approximately \$776,000 and \$651,000 as of August 31, 2021 and 2020 respectively, in connection with GASB Statement No. 75. The System has also recognized a deferred outflow and inflow of resources of approximately \$210,600 and \$45,700, respectively for its allocated portion as of August 31, 2021. The System 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 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 Annual Comprehensive Financial Report (ACFR).

SUPPLEMENTARY
INFORMATION

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

Schedule 1

Summary of Long-Term Debt

August 31, 2021

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
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	-	-	-	-	756,413	163,556	625,000	281,600	1,381,413	445,156	1,826,569
2027-2031	-	-	-	-	4,046,669	553,178	3,720,000	907,100	7,766,669	1,460,278	9,226,947
2032-2034	-	-	-	-	2,654,125	105,472	2,680,000	162,750	5,334,125	268,222	5,602,347
	\$ 965,000	\$ 38,600	\$ 10,150,000	\$ 923,600	\$ 10,319,158	\$ 1,640,131	\$ 9,225,000	\$ 2,760,350	\$ 30,659,158	\$ 5,362,681	\$ 36,021,839

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
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
2021	50,654,404	21,046,449	29,607,955	4,190,000	932,400	5,122,400	5.78	4,866,353	1,284,189	6,150,542	4.81

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

Schedule 3

Utility Plant in Service

August 31, 2020 and 2021

Asset Class	Capital Assets				Accumulated Depreciation				Net Capital Assets
	August 31, 2020	Increases	Decreases/ Transfers	August 31, 2021	August 31, 2020	Increases	Decreases	August 31, 2021	August 31, 2021
Lincoln Water Plant:									
Airport	\$ 42,172	\$ -	\$ -	\$ 42,172	\$ (30,388)	\$ (422)	\$ -	\$ (30,810)	\$ 11,362
Structures and improvements	18,139,780	28,234	-	18,168,014	(10,295,410)	(396,489)	-	(10,691,899)	7,476,115
Reservoirs	27,472,634	-	-	27,472,634	(13,544,052)	(518,400)	-	(14,062,452)	13,410,182
Other power and production equipment	87,869	1,705,019	-	1,792,888	(28,343)	(5,565)	-	(33,908)	1,758,980
Electric pumping equipment	19,395,063	10,693	-	19,405,756	(7,041,545)	(418,474)	-	(7,460,019)	11,945,737
Purification system	-	-	-	-	1,072	-	-	1,072	1,072
Transmission mains	33,872,626	915	-	33,873,541	(11,038,473)	(410,903)	-	(11,449,376)	22,424,165
Distribution mains and accessories	209,080,459	11,159,139	-	220,239,598	(43,445,653)	(2,653,543)	-	(46,099,196)	174,140,402
Hydrants	4,844,227	-	-	4,844,227	(4,112,802)	(68,105)	-	(4,180,907)	663,320
Office furniture and equipment	2,574,213	21,294	-	2,595,507	(2,380,624)	(19,508)	-	(2,400,132)	195,375
Shop equipment	181,432	-	-	181,432	(179,912)	-	-	(179,912)	1,520
Laboratory equipment	49,984	-	-	49,984	(14,304)	(4,203)	-	(18,507)	31,477
Tools and work equipment	414,952	24,507	(4,548)	434,911	(296,601)	(30,130)	2,202	(324,529)	110,382
Communications system	1,559,161	-	-	1,559,161	(922,368)	(56,326)	-	(978,694)	580,467
Meters	17,214,948	705,939	-	17,920,887	(12,207,003)	(650,143)	-	(12,857,146)	5,063,741
Lincoln depreciable assets	334,929,520	13,655,740	(4,548)	348,580,712	(105,536,406)	(5,232,211)	2,202	(110,766,415)	237,814,297
Land and land rights	1,913,613	204	-	1,913,817	-	-	-	-	1,913,817
Lincoln nondepreciable assets	1,913,613	204	-	1,913,817	-	-	-	-	1,913,817
Total Lincoln plant	336,843,133	13,655,944	(4,548)	350,494,529	(105,536,406)	(5,232,211)	2,202	(110,766,415)	239,728,114
Ashland Water Plant:									
Structures and improvements	68,561,908	44,846	-	68,606,754	(27,212,662)	(1,285,248)	-	(28,497,910)	40,108,844
Reservoirs	12,469,128	-	-	12,469,128	(4,189,836)	(186,537)	-	(4,376,373)	8,092,755
Transmission mains	50,648,956	-	-	50,648,956	(14,795,785)	(847,280)	-	(15,643,065)	35,005,891
Office furniture and equipment	107,547	5,697	-	113,244	(86,400)	(2,839)	-	(89,239)	24,005
Shop equipment	17,951	-	-	17,951	(17,951)	-	-	(17,951)	-
Laboratory equipment	774,147	37,600	-	811,747	(557,022)	(50,263)	-	(607,285)	204,462
Other power and production equipment	16,355,512	1,194,897	-	17,550,409	(2,300,121)	(315,484)	-	(2,615,605)	14,934,804
Electric pumping equipment	8,758,900	-	-	8,758,900	(6,939,993)	(147,357)	-	(7,087,350)	1,671,550
Purification system	34,814,870	2,525,839	-	37,340,709	(17,458,844)	(692,818)	-	(18,151,662)	19,189,047
Communications Systems	1,986,810	675,632	-	2,662,442	(1,005,337)	(105,637)	-	(1,110,974)	1,551,468
Tools and work equipment	151,408	-	-	151,408	(125,370)	(9,534)	-	(134,904)	16,504
Ashland depreciable assets	194,647,137	4,484,511	-	199,131,648	(74,689,321)	(3,642,997)	-	(78,332,318)	120,799,330
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	198,490,303	4,484,511	-	202,974,814	(74,689,321)	(3,642,997)	-	(78,332,318)	124,642,496
Vehicles and work equipment (all locations)	3,951,884	101,595	(55,535)	3,997,944	(3,161,170)	(147,174)	38,535	(3,269,809)	728,135
Utility plant in service	\$ 539,285,320	\$ 18,242,050	\$ (60,083)	\$ 557,467,287	\$ (183,386,897)	\$ (9,022,382)	\$ 40,737	\$ (192,368,542)	\$ 365,098,745
Construction in progress	9,309,601	13,742,464	(16,877,135)	6,174,930	-	-	-	-	6,174,930
Total capital assets	\$ 548,594,921	\$ 31,984,514	\$ (16,937,218)	\$ 563,642,217	\$ (183,386,897)	\$ (9,022,382)	\$ 40,737	\$ (192,368,542)	\$ 371,273,675

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

Schedule 4

GENERAL STATISTICS

Year Ended August 31, 2021

(Unaudited)

Altitude of Lincoln, Nebraska	1,167 Feet
Area of Lincoln, Nebraska	100.51 Square Miles
Population	291,082 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, 2021	25.86
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, 2020	1,160.9
Estimated Added During Year	16.8
Estimated Removed During Year	6.5
Total as of August 31, 2021	1,171.2 Miles
Amount of Water Pumped During Year Ended August 31, 2021	13,278,779,339 gallons
Average Daily Consumption of Water	36,380,217 gallons
Average Daily Consumption Per Capita	125 gallons
Total Number of Active Residential Water Customers	
End of Fiscal Year	82,394
Total Number of Active Non-Residential Water Customers	
End of Fiscal Year	5,184
Total Debt of Lincoln Water System at August 31, 2021	\$36,021,839

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

TOP TEN CUSTOMERS

Year Ended August 31, 2021

(Unaudited)

	<u>USAGE</u> (HCF)	<u>AMOUNT</u>
1. University of Nebraska	446,772	\$1,171,096
2. City of Lincoln	313,683	845,870
3. State of Nebraska	279,933	696,719
4. Archer Daniels Midland Company	249,319	374,363
5. Veyance Technologies, Inc.	193,501	428,970
6. AH 42 LLC / Zoetis	154,988	242,407
7. Bryan Health	129,161	330,560
8. Lincoln Industries, Inc.	126,024	266,962
9. Lincoln Public Schools	120,591	399,219
10. University of Nebraska Foundation	108,258	225,059
Top Ten Users Totals	2,122,230	\$4,981,225

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, 2021	August 31, 2020	August 31, 2019	August 31, 2018	August 31, 2017
September	1,366,431,593	1,303,338,007	1,118,530,000	1,385,561,000	1,201,519,000
October	1,120,770,501	877,391,540	885,500,000	955,275,000	1,051,404,000
November	766,800,154	773,648,779	775,770,000	823,625,000	886,902,000
December	770,392,157	758,809,331	788,900,000	804,799,000	812,407,000
January	797,528,596	752,903,780	797,900,000	830,465,000	813,245,000
February	755,352,307	721,612,879	728,090,000	748,625,000	736,036,000
March	835,042,692	764,714,547	773,090,000	797,403,000	822,544,000
April	924,534,158	833,992,145	859,620,000	830,788,000	868,221,000
May	1,066,917,847	1,006,963,519	929,250,000	1,262,579,000	985,334,000
June	1,542,960,213	1,300,935,234	1,022,450,000	1,422,256,000	1,438,168,000
July	1,646,673,764	1,421,182,548	1,630,220,000	1,462,365,000	1,517,563,000
August	1,685,375,357	1,578,981,113	1,327,380,000	1,354,228,000	1,365,059,000
Total	13,278,779,339	12,094,473,422	11,636,700,000	12,677,969,000	12,498,402,000

LINCOLN WATER SYSTEMSchedule 7**An Enterprise Fund of the City of Lincoln, Nebraska****Annual Rainfall (by month)****Last ten fiscal years**

(Unaudited)

	30 Yr Avg	125 Yr Avg	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
September	2.90	3.18	1.62	3.40	7.13	1.85	3.38	4.93	6.89	1.99	1.73	1.33
October	2.14	1.97	0.40	4.69	2.71	4.90	1.86	0.50	2.46	2.83	1.92	0.93
November	1.30	1.28	1.20	0.79	1.19	0.07	0.65	1.98	0.47	1.22	0.15	1.66
December	1.18	0.91	1.20	2.57	3.32	0.38	1.59	4.42	1.22	0.22	1.50	1.58
January	0.73	0.67	1.53	1.29	0.75	0.41	1.10	0.83	0.91	0.24	0.73	0.16
February	0.89	0.93	0.79	0.13	1.59	0.74	0.55	0.76	0.93	0.62	0.54	2.10
March	1.55	1.59	5.23	1.67	2.65	2.71	1.62	0.93	0.77	0.13	2.12	0.89
April	2.69	2.61	1.74	0.88	1.13	0.67	3.55	4.37	1.99	3.50	4.02	3.49
May	4.90	4.00	2.55	5.09	7.29	2.23	6.29	5.42	10.90	5.26	8.44	3.00
June	4.48	4.21	4.46	3.15	4.38	8.83	7.35	0.58	7.66	5.90	2.49	3.57
July	3.25	3.41	1.73	5.73	4.08	1.35	5.99	4.67	2.39	0.51	1.00	0.33
August	3.32	3.49	3.41	1.27	2.79	4.35	3.38	3.83	3.78	7.54	1.11	0.30
Total	29.31	28.25	25.86	30.66	39.01	28.49	37.31	33.22	40.37	29.96	25.75	19.34

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

WATER ANALYSIS

(All Results in Parts Per Million)
(Collected August 3, 2021)
(Unaudited)

550 W. Cornhusker Hwy.

Hydrogen Ion Concentration (pH)	7.88
Total Dissolved Solids.....	329 ppm.
Total Iron (Fe)	<0.050 ppm.
Manganese (Mn).....	0.002 ppm.
Calcium (as Ca)	51.4 ppm.
Total Alkalinity (CaCO ₃).....	160 ppm.
Chloride (Cl).....	21.9 ppm.
Fluoride (F)	0.88 ppm.
Nitrate (+Nitrite)	0.41 ppm.
Sodium (Na).....	29.6 ppm.
Hardness as (CaCO ₂)	
Total Hardness	186 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, 2021

(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	3000027-4
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	1070477
Money and Securities	Inside/outside premises	3,000,000	25,000	10,000	Hartford Fire	83FA029203120
Water Distribution	Water distribution center	Per Property Schedule	100,000	10,000	FM Global	1070477
Data Processing Equipment	Computer equipment, data and media	Replacement cost	100,000	2,500	FM Global	1070477
Equipment Floater (911)	Radio tower floater	Replacement cost	100,000	2,500	FM Global	1070477
Equipment Floater (NON-LIC)	Nonlicensed scheduled equipment	Actual Cash Value	100,000	2,500	FM Global	1070477
General Liability ***	\$6,000,000 occurrence / \$12,000,000 annual aggregate	6,000,000	250,000	0	States	3000027-4
Public Employee Blanket Bond	Employees blanket bond coverage	3,000,000	25,000	10,000	Hartford Fire	83FA029203120
Public Officials Liability***	\$6,000,000 occurrence / \$12,000,000 annual aggregate	6,000,000	250,000	0	States	3000027-4
Workers' Compensation Excess	Statutory	Statutory	800,000	0	Midwest Employers Casualty (MECC)	EW007744
Cyber Liability	1 st Party/3 rd Party/Data Breach	3,000,000	50,000		XL Catlin	MTP903493603

** 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.