



Lincoln Water System

2022



Financial Statements & Schedules
Fiscal Year Ended August 31, 2022

ANNUAL FINANCIAL REPORT

DEPARTMENT OF TRANSPORTATION AND UTILITIES

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Lincoln Water System
August 31, 2022 and 2021

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

Opinion

We have audited the financial statements of the Lincoln Water System, an Enterprise Fund of the City of Lincoln, Nebraska (the System), as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Lincoln Water System, an Enterprise Fund of the City of Lincoln, Nebraska, as of August 31, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Year Audited by Other Auditors

The 2021 financial statements, before they were revised for the matter discussed in Note 1, were audited by other auditors, and their report thereon, dated February 22, 2022, expressed an unmodified opinion. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Lincoln Water System and do not purport to, and do not, present fairly the financial position of the City of Lincoln, Nebraska, as of August 31, 2022 and 2021, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

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

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statistical information but does not include the basic financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

FORVIS, LLP

Lincoln, Nebraska
February 3, 2023

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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, 2022 and 2021. 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 Statements of Revenues, Expenses and Changes in Net Position

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

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

The Statements of Cash Flows

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

The System's Net Position

The System's net position is the difference between its assets plus deferred outflows of resources and liabilities plus deferred inflows of resources reported in the Statements of Net Position. The System's net position increased by \$25,528,393 in 2022 over 2021 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, 2022, 2021 and 2020.

Table 1

Condensed Statements of Net Position

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

* The fiscal year 2021 amounts were revised for changes in net position. See footnote 1.

Financial Highlights – Fiscal Year 2022

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

Table 2**Condensed Statements of Net Position**

	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 of 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 of resources	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	339,092,645	324,621,094	14,471,551	4.46%
Restricted for debt service	1,119,251	8,077,929	(6,958,678)	(86.14%)
Restricted for capital acquisition	8,356,117	7,060,350	1,295,767	18.35%
Unrestricted	44,611,769	33,734,466	24,718,142	32.24%
Total net position	393,179,782	373,493,839	19,685,943	5.27%
Total liabilities, deferred inflows of resources and net position	\$435,565,367	\$418,914,105	\$16,651,262	3.97%

* The fiscal year 2021 amounts were revised for changes in net position. See footnote 1.

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 Plan Chemical Feed Equipment Replacement.
- Long term liabilities decreased primarily due to debt service payments made during the year.

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

	August 31		Change	
	2022	2021	Dollars	Percent
Operating revenues				
Water revenue	\$49,084,901	\$47,148,641	\$1,936,260	4.11%
Other revenue	890,139	806,819	83,320	10.33%
Total operating revenues	49,975,040	47,955,460	2,019,580	4.21%
Nonoperating revenues				
Investment income (loss)	(312,129)	33,444	(345,573)	(1033.29%)
Grant revenues	-	1,087,343	(1,087,343)	(100%)
Insurance Proceeds & FEMA	2,914,808	3,355,531	(440,723)	(13.13%)
Total nonoperating revenues	2,602,679	4,476,318	(1,873,639)	(41.86%)
Total revenues	52,577,719	52,431,778	145,941	(0.28%)
Operating expenses				
Supply, pumping and purification	15,760,438	15,333,750	426,688	2.78%
Transmission and distribution	12,366,407	11,447,545	918,862	8.03%
Administrative and accounting	3,681,563	3,287,536	394,027	11.99%
Total operating expenses	31,808,408	30,068,831	1,739,577	5.79%
Nonoperating expenses				
Interest and amortization expense	768,309	933,405	(165,096)	(17.69%)
Net costs recoverable	48,712	49,337	(625)	(1.27%)
Flood Repairs - Ashland	-	7,209,557	(7,209,557)	(100%)
Total nonoperating expenses	817,021	8,192,299	(7,375,278)	(90.03%)
Total expenses	32,625,429	38,261,130	(5,635,701)	(14.73%)
Income before contributions and transfers	19,952,290	14,170,648	5,781,642	40.80%
Net transfers out	(25,329)	(10,406)	(14,923)	143.41%
Capital contributions	5,601,432	5,525,701	75,731	1.37%
Change in net position	\$25,528,393	\$19,685,943	\$5,842,450	29.68%

Financial Highlights – Fiscal Year 2022

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

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

	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 primarily due to a 6% revenue 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.

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.

The final debt payments for the 2012 \$10,895,000 Bond Issuance have been paid in FY 21/22.

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

Capital Asset Activity

The System's investment in capital assets as of August 31, 2022 amounts to \$377,039,660 (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 \$7,653,000 at August 31, 2022 to be paid with revenues and bond proceeds.

Forward-Looking Information

The approved Capital Improvement Program for Fiscal Year 2022/23 - 2027/28 identifies the need for \$239,120,200 to fund capital improvements for the System. A portion of that total is projected to be funded by revenue bonds. Future user fee increases will be needed to make the necessary improvements possible.

In August 2022, the Lincoln City Council approved a 5% revenue increase effective November 2022. 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 2022 and 2021. 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, 2022 and 2021

Assets and Deferred Outflows of Resources	2022	2021
Current assets:		
Equity in pooled cash and investments	\$ 41,638,255	\$ 30,446,937
Receivables:		
Accounts receivable	5,444,168	4,457,559
Unbilled revenues	5,566,984	6,261,653
Due from other funds	1,767,572	1,147,942
Total receivables	12,778,724	11,867,154
Inventories	2,270,994	1,702,682
Total current assets	56,687,973	44,016,773
Noncurrent assets:		
Equity in pooled cash and investments	6,701,906	4,681,104
Restricted assets:		
Equity in pooled cash and investments	358,704	477,731
Investments	4,214,351	5,916,329
Impact fees receivable	7,680,736	8,356,117
Total restricted assets	12,253,791	14,750,177
Utility plant:		
Non-depreciable	11,213,543	11,931,913
Depreciable	567,366,720	551,710,304
Less accumulated depreciation	(201,540,603)	(192,368,542)
Net utility plant	377,039,660	371,273,675
Costs recoverable from future billings	199,364	248,076
Total noncurrent assets	396,194,721	390,953,032
Total assets	452,882,694	434,969,805
Deferred outflows of resources:		
Deferred loss on refunding	308,386	384,939
OPEB related items	173,183	210,623
Total deferred outflows of resources	481,569	595,562
Total assets and deferred outflows of resources	\$ 453,364,263	\$ 435,565,367
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Accounts payable	\$ 2,867,366	\$ 5,415,441
Accrued liabilities	422,755	971,319
Due to other funds	75,942	-
Deposits liability	264,839	234,550
Accrued compensated absences	624,532	549,594
Current maturities of long-term debt	3,862,307	4,701,657
Accrued interest payable from restricted assets	71,985	81,063
Total current liabilities	8,189,726	11,953,624
Long-term liabilities:		
Total OPEB liability, excluding current maturities	828,399	776,211
Accrued compensated absences, excluding current maturities	1,427,764	1,158,707
Long-term debt, excluding current maturities	24,175,513	28,451,370
Total long-term liabilities	26,431,676	30,386,288
Total liabilities	34,621,402	42,339,912
Deferred inflows of resources:		
OPEB related items	34,686	45,673
Total deferred inflows of resources	34,686	45,673
Net position:		
Net investment in capital assets	352,068,636	339,092,645
Restricted for debt service	506,195	1,119,251
Restricted for capital acquisition	7,680,736	8,356,117
Unrestricted	58,452,608	44,611,769
Total net position	418,708,175	393,179,782
Total liabilities, deferred inflows of resources and net position	\$ 453,364,263	\$ 435,565,367

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, 2022 and 2021**

	2022	2021
Operating revenues:		
Water sales	\$ 49,084,901	\$ 47,148,641
Service and materials, net	890,139	806,819
Total operating revenues	49,975,040	47,955,460
Operating expenses:		
Supply, pumping and purification	15,760,438	15,333,750
Transmission and distribution	12,366,407	11,447,545
Administrative and general	3,681,563	3,287,536
Total operating expenses	31,808,408	30,068,831
Operating income	18,166,632	17,886,629
Nonoperating revenues (expenses):		
Investment income	(312,129)	33,444
Interest expense	(768,309)	(933,406)
FEMA proceeds	-	361,807
State grant revenues	-	1,087,343
Net costs recoverable	(48,712)	(49,337)
Miscellaneous expense - flood recovery costs, net	-	(4,215,835)
Insurance recoveries	2,914,808	-
Net nonoperating expenses	1,785,658	(3,715,981)
Increase in net position before capital contributions	19,952,290	14,170,648
Capital contributions from:		
Developers	2,946,705	2,860,200
Tap fees	777,766	817,275
Impact Fees	1,876,961	1,848,226
Total capital contributions	5,601,432	5,525,701
Transfers Out	(25,329)	(10,406)
Increase in net position	25,528,393	19,685,943
Total net position - beginning	393,179,782	373,493,839
Total net position - ending	\$ 418,708,175	\$ 393,179,782

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, 2022 and 2021

	2022	2021
Operating activities:		
Receipts from customers and users	\$ 50,388,770	\$ 44,903,630
Payments to suppliers	(12,252,108)	(18,202,694)
Payments to employees	(10,099,176)	(9,602,424)
Net cash provided by operating activities	28,037,486	17,098,512
Noncapital financing activities:		
Insurance Proceeds	2,914,808	2,993,726
Net transfers to other funds	(25,329)	(10,406)
Net repayments from (advances to) other funds	(80,140)	122,170
Net cash provided by noncapital financing activities	2,809,339	3,105,490
Capital and related financing activities:		
Acquisition and construction of capital assets	(12,863,992)	(7,566,577)
Principal paid on revenue bonds and long term obligations	(4,701,657)	(4,866,353)
Interest paid on revenue bonds and long term obligations	(1,114,384)	(1,284,292)
FEMA proceeds	-	361,807
State grant proceeds	-	1,087,343
Net cash used in capital and related financing activities	(18,680,033)	(12,268,072)
Investing activities:		
Purchases of investments	(42,828,626)	(29,970,521)
Proceeds from sales and investment maturities	23,069,427	23,723,936
Interest on investments	185,377	221,732
Net cash used in investing activities	(19,573,822)	(6,024,853)
Net increase (decrease) in cash and cash equivalents	(7,407,030)	1,911,077
Cash and cash equivalents at beginning of year	8,119,964	6,208,887
Cash and cash equivalents at end of year	\$ 712,934	\$ 8,119,964
Composition of equity in pooled cash and investments		
Cash and cash equivalents	\$ 712,934	\$ 8,119,964
Investments	47,985,931	27,485,808
Total equity in pooled cash and investments	\$ 48,698,865	\$ 35,605,772
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 18,166,632	\$ 17,886,629
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	9,329,216	9,022,382
Flood recovery costs	-	(7,209,557)
Changes in operating assets and liabilities:		
Accounts receivable	383,441	(3,064,031)
Inventories	(568,312)	252,197
Accounts payable	822,148	51,904
Accrued liabilities and deposit liability	(510,569)	(38,501)
Total OPEB liability	44,482	(113,928)
Deferred outflows	37,440	130,872
Deferred inflows	(10,987)	20,130
Accrued compensated absences	343,995	160,415
Total adjustments	9,870,854	(788,117)
Net cash provided by operating activities	\$ 28,037,486	\$ 17,098,512

Supplemental disclosure of noncash transactions:

Contributed capital improvements of \$2,946,705 and \$2,860,200 were added to utility plant in 2022 and 2021, respectively.

Accounts payable incurred for utility plant purchases were \$1,236,465 and \$4,606,688 in 2022 and 2021, 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, 2022 and 2021

(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, 2022, and 2021, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Operating Revenues and Expenses

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

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2022 and 2021

(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, 2022 or 2021. Water usage amounts charged together with all other charges and penalties are declared to be a lien on the property until paid.

Restricted Assets

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

Utility Plant (Capital Assets)

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

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

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

Deposits and Investments

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

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2022 and 2021

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

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

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

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

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

Capital Contributions

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

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

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

Unamortized Premium on Revenue Bonds

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

Inventories

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

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net 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

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2022 and 2021

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

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

Deferred Inflows of Resources

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

Revenues

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

The City Council sets the rate schedule for the System. The following rates were in effect for the years ended August 31, 2022, and 2021:

	<u>August 31, 2022</u>	<u>August 31, 2021</u>
<u>Water Usage</u>		
Residential:		
100 to 800 cubic feet	\$ 1.665	\$ 1.571
801 to 2,300 cubic feet	2.367	2.233
2,301 and up	3.598	3.460
Nonresidential low volume user:		
100 to 8,000 cubic feet	1.665	1.571
8,001 and up	2.367	2.233
Nonresidential high-volume user:		
Base usage which is average water usage for previous three calendar years	1.58 to 1.743	1.491 to 1.644
<u>Service Charge</u>		
5/8 inch	\$ 8.13	\$ 7.67
5/8 x 3/4 inch	12.29	11.59
3/4 inch	12.29	11.59
1 inch	20.51	19.35
1 ½ inch	40.92	38.60
2-inch	65.48	61.77
3-inch	122.85	115.90
4-inch	204.78	193.19
6-inch	409.48	386.30
8-inch	655.18	618.09
10-inch	941.88	888.57

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2022 and 2021

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

In August 2021, the Lincoln City Council approved a 6% rate increase effective in November 2022. In August 2022, the Lincoln City Council approved rate increases for the next two years. The first rate increase of 5% is effective in November 2022.

Costs Recoverable from Future Billings

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

Net Position Classification

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

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

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

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

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

Compensated Absences

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

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2022 and 2021

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

Compensated absences of the System at August 31, 2022 and 2021 are summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
August 31, 2022	\$1,708,301	893,589	549,594	2,052,296	624,532
August 31, 2021	\$1,547,886	751,954	591,539	1,708,301	549,594

Use of Estimates

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

Reclassifications

Certain reclassifications have been made to the 2021 financial statements to conform to the 2022 financial statement presentation. These reclassifications had no effect on ending net position or changes in net position.

Revision

During 2022, the System revised the presentation of net position reported at August 31, 2021 for certain unspent bond proceeds as follows:

	As Previously Reported	Revision	As Revised
Net Position:			
Net investment in capital assets	\$ 333,898,899	\$ 5,193,746	\$ 339,092,645
Restricted for Debt Service	6,312,997	(5,193,746)	1,119,251
	<u>\$ 340,211,896</u>	<u>\$ -</u>	<u>\$ 340,211,896</u>

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

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2022 and 2021

(2) Deposits, Investments, and Investment Return

Deposits

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

Investments

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

Custodial Credit Risk

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

Fair Value Measurements

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

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

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

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

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

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2022 and 2021

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

At August 31, 2022 and 2021, the System had the following investments, maturities and fair value measurements:

Type	August 31, 2022				Fair Value Measurement
	Carrying Value	Less than 1	Maturities in Years 1 - 5	6 - 10	
U.S. Government					
Sponsored Agencies	\$4,214,351	-	\$3,396,009	\$818,342	Level 2
	<u>\$4,214,351</u>	<u>-</u>	<u>\$3,396,009</u>	<u>\$818,342</u>	
Type	August 31, 2021				Fair Value Measurement
	Carrying Value	Less than 1	Maturities in Years 1 - 5	6 - 10	
U.S. Government					
Sponsored Agencies	\$5,916,329	\$1,200,420	\$3,776,746	\$939,163	Level 2
	<u>\$5,916,329</u>	<u>\$1,200,420</u>	<u>\$3,776,746</u>	<u>\$939,163</u>	

Interest Rate Risk

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

Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of August 31, 2022, and 2021, the System investments in U.S. Government Sponsored Agencies not directly guaranteed by the United States Government were rated AA+ by Standard & Poor's (S & P) and Aaa by Moody's Investors Service (Moody's).

Concentration of Credit Risk

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

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

Notes to Financial Statements

August 31, 2022 and 2021

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

	2022	2021
U.S. Government Agency Obligations	8.0%	13.8%

The carrying amount of equity interests in pooled cash and investments at August 31, 2022 and 2021 are:

	2022	2021
Equity in pooled cash and investments	\$48,698,865	\$35,605,772

Investment Income (Loss)

Investment income (loss) for the years ended August 31, 2022 and 2021 consisted of:

	2022	2021
Interest and dividend income	\$185,228	\$69,605
Net change in fair value of investments	(497,356)	(36,161)
	<u>(\$312,129)</u>	<u>\$33,444</u>

(3) Inventories

Balances of the major classes of inventory at August 31, 2022 and 2021, are shown below:

	2022	2021
Heavy materials	\$1,620,978	\$1,246,120
Diesel fuel	103,780	106,048
Water meters and parts	481,257	302,559
Chemicals	64,979	47,955
Total inventories	<u>\$2,270,994</u>	<u>\$1,702,682</u>

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

Notes to Financial Statements

August 31, 2021 and 2022

(4) Utility Plant

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

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

The composite depreciation rate was approximately 1.64% in 2022.

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

Notes to Financial Statements

August 31, 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, 2022 and 2021

(5) Long-term Liabilities

Long-term debt of the System at August 31, 2022 and 2021 is summarized below:

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

(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, 2022 and 2021

(5) Long-term Liabilities (continued)

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	<u>\$38,437,395</u>	<u>\$ -</u>	<u>\$5,284,368</u>	<u>\$33,153,027</u>	<u>\$4,701,657</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, 2022 and 2021

(5) Long-term Liabilities (continued)

Maturities and sinking fund requirements on long-term debt at August 31, 2022 are as follows:

Due years ending August 31	Bonds		Loans		Total
	Principal	Interest	Principal	Interest	
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	665,000	250,350	773,528	146,441	1,835,319
2028 – 2032	3,915,000	737,150	4,138,232	461,616	9,251,998
2033 – 2034	1,820,000	82,350	1,789,034	50,593	3,741,977
Total	\$16,330,000	\$ 2,937,950	\$ 9,627,501	\$ 1,411,819	\$30,307,270

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

The City has pledged future revenues derived from the operation of the System, net of operating and maintenance expenses, to repay all outstanding water revenue bonds. Proceeds from the bonds and loans provided financing for improvements to the water supply system, as well as refunding prior water revenue bonds. The bonds and loans are payable solely from the net earnings of the System and are payable through 2034. The total principal and interest remaining to be paid on the bonds and loan is \$30,307,270, with annual payments expected to require approximately 21% of net revenues. Principal and interest paid for the current year and net system revenues were \$5,714,569 and \$29,838,446, respectively.

(6) Commitments and Contingencies

Construction Commitments:

The System has commitments under major construction contracts in progress of approximately \$7,653,000 at August 31, 2022 to be paid with revenues and bond proceeds.

Risk Management:

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

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2022 and 2021

(6) Commitments and Contingencies (continued)

during each of the last three prior years. Budgeted premium amounts charged to the System are placed in the appropriate fund maintained by the Division. Premium expense was approximately \$609,000 for each fiscal year 2022 and 2021.

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.

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 the Lincoln Lancaster County Health Department. All other operations were not disrupted.

(7) Related Party Transactions

The City billed the System approximately \$832,000 for administrative services during 2022 and 2021. 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 \$1,263,000 and \$1,378,000 during 2022 and 2021, respectively. At August 31, 2022 and 2021, approximately \$190,000 and \$81,000, respectively are included in accounts payable for amounts owed to LES for electricity used.

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2022 and 2021

(7) Related Party Transactions (continued)

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 \$7,680,736 and \$8,356,117 as of August 31, 2022 and 2021, 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 \$987,622 and \$1,147,942 as of August 31, 2022 and 2021, respectively. This amount is reflected as a current asset and is included in Due from Other Funds on the Statements of Net Position.

(8) Pension Plan

Employees of the System are participants in the City of Lincoln Employees' Retirement Plan. Plan participation is required if the employee has completed five years of continuous service and attained the age of 40. An employee may voluntarily enter the plan upon attaining age 19 and after completing six months of service. The plan is a defined contribution plan requiring employees to contribute to the plan depending on employee class and date of hire. The System contributes between \$1.29 and \$2.00 for every \$1.00 contributed by employees. Plan participants vest in the City's contributions in year three of participation at 20%, up to 100% vesting in year seven. Contributions made by the System were approximately \$647,000 and \$638,000 for 2022 and 2021, respectively. Contributions made by the plan members were approximately \$390,000 and \$383,000 for 2022 and 2021, respectively.

(9) Other Postemployment Benefits (OPEB)

Total OPEB liability activity for the years ended August 31, 2022 and 2021 are summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
August 31, 2022	\$ 802,394	63,058	18,576	846,876	18,477
August 31, 2021	\$ 688,466	139,868	25,940	802,394	26,183

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

Plan Description

The City offers employees and their families the opportunity to continue their health care coverage when there is a qualifying event, such as retirement, that would result in a loss of coverage under the City's plan. Each qualified beneficiary pays the entire cost of premiums for the continuous coverage. The City recognizes as OPEB the implicit rate subsidy provided to retirees when their premium is the "full cost" of the insurer's charge for the active population. Since the retirees have higher costs, the premium they pay is not expected to cover their costs, and the difference is essentially covered by the City's payment for active employees. The City plan is a single-employer defined benefit plan. The City does not issue a separate report that includes financial statements and required supplementary information for OPEB.

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2022 and 2021

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

The System accounts for and reports its participation in the City's single-employer plan as if it was a cost-sharing plan. The System's proportionate share of the total OPEB liability was based on the System's share of active employees relative to all active City employees. At August 31, 2022 and 2021, the System's proportion was 2.95% and 2.97%, respectively.

Funding Policy

The plan is a pay-as-you-go and therefore, is not funded.

Actuarial Methods and Assumptions

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

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

The Civilian mortality rate assumption aligns with the Pub-2010 Mortality Tables used for Police and Fire, except they are based on the General population tables to better align with the respective employment groups. Due to the size of the plan and lack of available data to analyze,

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2022 and 2021

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

the withdrawal rates are based on The Basic Service Table from the 2003 SOA Pension Plan Turnover Study and the disability rates are based on rates observed in similar types of plans. The retirement rates were unchanged from the prior valuation as we believe they are reasonable estimates of future experience.

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

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

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

Price Inflation	2.25%
Municipal Bond Index Rate	2.11%, monthly average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rate
Health Care Cost Trend Rate	7.00%, decreasing by 0.25% per year until an ultimate rate of 4.50% is reached in 2030
Cost-Sharing Premiums	Premiums, effective as of November 1, 2020, were trended backward to August 31, 2020. Civilian premium rates were based on the base plan and the combined rate for Police and Fire was based on an average for the Police group and Fire group. Premiums trended to August 31, 2020 Police / Fire Retiree - \$10,687 Police / Fire Spouse - \$13,039 Civilians Retiree - \$9,542 Civilians Spouse - \$11,640
Mortality	General Pub-2010 Tables used for Civilians and Safety Pub-2010 Tables used for Police and Fire with generational mortality improvement using the Nebraska Public Retirement System Mortality Improvement Scale.

The Civilian mortality rate assumption aligns with the Pub-2010 Mortality Tables used for Police and Fire, except they are based on the General population tables to better align with the respective employment groups. Due to the size of the plan and lack of available data to analyze, the withdrawal rates are based on The Basic Service Table from the 2003 SOA Pension Plan

LINCOLN WATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2022 and 2021

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

Turnover Study and the disability rates are based on rates observed in similar types of plans. The retirement rates were unchanged from the prior valuation as we believe they are reasonable estimates of future experience.

The Police and Fire demographic actuarial assumptions used in the August 31, 2020 valuation are consistent with those used in the valuation of the Lincoln Police and Fire Pension Plan at that time, which were based on the actuarial experience study covering the four-year period ending August 31, 2018. The experience study report was dated June 1, 2019, so the new demographic assumptions are first used for the Police and Fire demographic assumptions in the August 31, 2020 valuation.

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

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

At August 31, 2022 and 2021, the System reported a total OPEB liability of \$846,876 and \$802,394, respectively, for its proportionate share of the collective total OPEB liability for the City. For the years ended August 31, 2022 and 2021, the System recognized OPEB expense of \$87,790 and \$72,124, respectively, and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Benefit payments subsequent to the measurement date	\$ 18,478	\$ -
Differences between expected and actual experience	5,787	3,136
Changes in assumptions	148,918	31,550
Total	<u>\$ 173,183</u>	<u>\$ 34,686</u>
	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Benefit payments subsequent to the measurement date	\$ 26,180	\$ -
Differences between expected and actual experience	6,862	4,095
Changes in assumptions	177,581	41,578
Total	<u>\$ 210,623</u>	<u>\$ 45,673</u>

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

Notes to Financial Statements

August 31, 2022 and 2021

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

The deferred outflows of resources related to OPEB resulting from the System's benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ending August 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending August 31,	Deferred Outflows of Resources	Deferred Inflows of Resources
2023	\$ 28,046	\$ (11,423)
2024	28,046	(11,423)
2025	28,046	(8,714)
2026	28,046	(2,830)
2027	26,469	(111)
Thereafter	16,052	(185)
	<u>\$ 154,705</u>	<u>\$ (34,686)</u>

Sensitivity of the Total OPEB Liability to Changes in the Rates

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

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

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

	1% Decrease	Current Trend	1% Increase
Total OPEB Liability			
August 31, 2021	\$ 701,485	\$ 802,394	\$ 923,348

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

Notes to Financial Statements

August 31, 2022 and 2021

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

The following presents the System's proportionate share of the total OPEB liability, calculated using the discount rate of 2.12% and 2.11% as of August 31, 2022 and 2021, respectively, as well as the System's proportionate share of the total OPEB liability calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease 1.12%	Current Rate 2.12%	1% Increase 3.12%
Total OPEB Liability August 31, 2022	\$936,838	\$846,876	\$766,006
	1% Decrease 1.12%	Current Rate 2.12%	1% Increase 3.12%
Total OPEB Liability August 31, 2021	\$888,514	\$802,394	\$724,919

REQUIRED SUPPLEMENTARY
INFORMATION

LINCOLN WATER SYSTEM
An Enterprise Fund of the City of Lincoln, Nebraska
Schedule of the System's Proportionate Share of the Total Other Postemployment Benefit (OPEB) Liability
Measurement Period Ending August 31, 2022

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

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

Notes to Schedule:

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

Changes in actuarial assumptions:

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

August 31, 2020 valuation – The discount rate has changed from 3.16% to 2.11% due to a change in the municipal bond rate. The inflation rate has changed from 2.50% to 2.25% based on the most recent Lincoln Police and Fire Pension Plan experience study. The mortality assumption was updated to the Pub-2010 family of mortality tables. The Safety tables are used for the Police and Fire members and the General tables are used for the Civilian members. Retirement rates for the Police and Fire members were adjusted to service-based rates. Termination rates were adjusted to service-based rates. Disability rates for Civilians were reduced at most ages and combined for males and females. The percentage of members assumed to be married was updated from 100% to 90%. The trend rate assumption was adjusted to 7.00% in the first year, decreasing by 0.25% per year until an ultimate rate of 4.50% is reached in 2030.

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

- August 31, 2018 valuation – The discount rate has changed from 3.53% to 3.96% due to a change in the municipal bond rate. The trend rate assumption is now 7.25% decreasing by 0.25% per year until an ultimate rate of 4.75% is reached in 2028, which changed from 7.50% for 2016 and 2017, decreasing by 0.50% per year for four years, then decreasing by 0.25% per year until an ultimate rate of 5.00% is reached in 2023.
- August 31, 2017 valuation – The discount rate has changed from 2.85% to 3.53% due to a change in the municipal bond rate.

SUPPLEMENTARY
INFORMATION

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

Schedule 1

Summary of Long-Term Debt

August 31, 2022

Due years ending August 31	Series 2013		NDEQ Loan (D311548) 2011		Series 2019		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
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	-	-	773,528	146,441	665,000	250,350	1,438,528	396,791	1,835,319
2028-2032	-	-	4,138,232	461,616	3,915,000	737,150	8,053,232	1,198,766	9,251,998
2033-2034	-	-	1,789,034	50,593	1,820,000	82,350	3,609,034	132,943	3,741,977
	\$ 7,610,000	\$ 569,200	\$ 9,627,501	\$ 1,411,819	\$ 8,720,000	\$ 2,368,750	\$ 25,957,501	\$ 4,349,769	\$ 30,307,270

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
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
2022	52,317,638	22,479,192	29,838,446	4,010,000	784,600	4,794,600	6.22	4,701,657	1,012,912	5,714,569	5.22

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

Schedule 3

Utility Plant in Service

August 31, 2022

Asset Class	Capital Assets				Accumulated Depreciation				Net Capital Assets
	August 31, 2021	Increases	Decreases/ Transfers	August 31, 2022	August 31, 2021	Increases	Decreases	August 31, 2022	August 31, 2022
Lincoln Water Plant:									
Airport	\$ 42,172	\$ -	\$ -	\$ 42,172	\$ (30,810)	\$ (422)	\$ -	\$ (31,232)	\$ 10,940
Structures and improvements	18,168,014	-	-	18,168,014	(10,691,899)	(397,737)	-	(11,089,636)	7,078,378
Reservoirs	27,472,634	-	-	27,472,634	(14,062,452)	(518,399)	-	(14,580,851)	12,891,783
Other power and production equipment	1,792,888	2,135	-	1,795,023	(33,908)	(39,872)	-	(73,780)	1,721,243
Electric pumping equipment	19,405,756	-	-	19,405,756	(7,460,019)	(394,561)	-	(7,854,580)	11,551,176
Purification system	-	-	-	-	1,072	-	-	1,072	1,072
Transmission mains	33,873,541	-	-	33,873,541	(11,449,376)	(410,903)	-	(11,860,279)	22,013,262
Distribution mains and accessories	220,239,598	10,944,046	-	231,183,644	(46,099,196)	(2,789,538)	-	(48,888,734)	182,294,910
Hydrants	4,844,227	-	-	4,844,227	(4,180,907)	(65,909)	-	(4,246,816)	597,411
Office furniture and equipment	2,595,507	108,051	-	2,703,558	(2,400,132)	(28,206)	-	(2,428,338)	275,220
Shop equipment	181,432	-	-	181,432	(179,912)	-	-	(179,912)	1,520
Laboratory equipment	49,984	-	-	49,984	(18,507)	(4,203)	-	(22,710)	27,274
Tools and work equipment	434,911	30,382	-	465,293	(324,529)	(30,941)	-	(355,470)	109,823
Communications system	1,559,161	-	-	1,559,161	(978,694)	(56,326)	-	(1,035,020)	524,141
Meters	17,920,887	676,452	-	18,597,339	(12,857,146)	(665,065)	-	(13,522,211)	5,075,128
Lincoln depreciable assets	348,580,712	11,761,066	-	360,341,778	(110,766,415)	(5,402,082)	-	(116,168,497)	244,173,281
Land and land rights	1,913,817	98,716	-	2,012,533	-	-	-	-	2,012,533
Lincoln nondepreciable assets	1,913,817	98,716	-	2,012,533	-	-	-	-	2,012,533
Total Lincoln plant	350,494,529	11,859,782	-	362,354,311	(110,766,415)	(5,402,082)	-	(116,168,497)	246,185,814
Ashland Water Plant:									
Structures and improvements	68,606,754	937,091	-	69,543,845	(28,497,910)	(1,296,307)	-	(29,794,217)	39,749,628
Reservoirs	12,469,128	-	-	12,469,128	(4,376,373)	(186,537)	-	(4,562,910)	7,906,218
Transmission mains	50,648,956	1,402,117	-	52,051,073	(15,643,065)	(859,742)	-	(16,502,807)	35,548,266
Office furniture and equipment	113,244	-	-	113,244	(89,239)	(3,884)	-	(93,123)	20,121
Shop equipment	17,951	-	-	17,951	(17,951)	-	-	(17,951)	-
Laboratory equipment	811,747	40,804	-	852,551	(607,285)	(54,389)	-	(661,674)	190,877
Other power and production equipment	17,550,409	1,057,174	-	18,607,583	(2,615,605)	(347,051)	-	(2,962,656)	15,644,927
Electric pumping equipment	8,758,900	-	-	8,758,900	(7,087,350)	(133,415)	-	(7,220,765)	1,538,135
Purification system	37,340,709	153,027	-	37,493,736	(18,151,662)	(793,555)	-	(18,945,217)	18,548,519
Communications Systems	2,662,442	15,249	-	2,677,691	(1,110,974)	(132,053)	-	(1,243,027)	1,434,664
Tools and work equipment	151,408	-	-	151,408	(134,904)	(6,042)	-	(140,946)	10,462
Ashland depreciable assets	199,131,648	3,605,462	-	202,737,110	(78,332,318)	(3,812,975)	-	(82,145,293)	120,591,817
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	202,974,814	3,605,462	-	206,580,276	(78,332,318)	(3,812,975)	-	(82,145,293)	124,434,983
Vehicles and work equipment (all locations)	3,997,944	447,043	(157,155)	4,287,832	(3,269,809)	(114,159)	157,155	(3,226,813)	1,061,019
Utility plant in service	\$ 557,467,287	\$ 15,912,287	\$ (157,155)	\$ 573,222,419	\$ (192,368,542)	\$ (9,329,216)	\$ 157,155	\$ (201,540,603)	\$ 371,681,816
Construction in progress	6,174,930	11,697,915	(12,515,001)	5,357,844	-	-	-	-	5,357,844
Total capital assets	\$ 563,642,217	\$ 27,610,202	\$ (12,672,156)	\$ 578,580,263	\$ (192,368,542)	\$ (9,329,216)	\$ 157,155	\$ (201,540,603)	\$ 377,039,660

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

Schedule 4

GENERAL STATISTICS

Year Ended August 31, 2022

(Unaudited)

Altitude of Lincoln, Nebraska	1,167 Feet
Area of Lincoln, Nebraska	100.51 Square Miles
Population	292,657 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, 2022	19.28
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, 2021	1,171.2
Estimated Added During Year	36.5
Estimated Removed During Year	4.1
Total as of August 31, 2022	1,203.6 Miles
Amount of Water Pumped During Year Ended August 31, 2022	13,700,596,000 gallons
Average Daily Consumption of Water	37,535,879 gallons
Average Daily Consumption Per Capita	127 gallons
Total Number of Active Residential Water Customers	
End of Fiscal Year	84,165
Total Number of Active Non-Residential Water Customers	
End of Fiscal Year	5,349
Total Debt of Lincoln Water System at August 31, 2022	\$30,307,270

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

TOP TEN CUSTOMERS

Year Ended August 31, 2022

(Unaudited)

	USAGE (HCF)	AMOUNT (\$)
1. University of Nebraska	428,630	\$1,118,492
2. State of Nebraska	287,013	754,924
3. Archer Daniels Midland Company	225,664	362,167
4. City of Lincoln - Parks & Rec	180,403	495,304
5. AH 42 LLC / Zoetis	172,772	284,313
6. City Of Lincoln	164,218	473,575
7. Bryan Health	131,887	355,598
8. Veyance Technologies	123,341	242,088
9. Smithfield Packaged Meats	117,768	280,517
10. Lincoln Industries	114,539	211,688
Top Ten Users Total	1,946,235	\$ 4,578,666

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 31,2022	August 31, 2021	August 31, 2020	August 31, 2019	August 31, 2018
September	1,459,399,238	1,366,431,593	1,303,338,007	1,118,530,000	1,385,561,000
October	1,226,047,072	1,120,770,501	877,391,540	885,500,000	955,275,000
November	826,368,427	766,800,154	773,648,779	775,770,000	823,625,000
December	805,795,725	770,392,157	758,809,331	788,900,000	804,799,000
January	826,288,428	797,528,596	752,903,780	797,900,000	830,465,000
February	747,048,879	755,352,307	721,612,879	728,090,000	748,625,000
March	838,803,018	835,042,692	764,714,547	773,090,000	797,403,000
April	924,125,089	924,534,158	833,992,145	859,620,000	830,788,000
May	1,092,764,637	1,066,917,847	1,006,963,519	929,250,000	1,262,579,000
June	1,324,250,763	1,542,960,213	1,300,935,234	1,022,450,000	1,422,256,000
July	1,693,270,111	1,646,673,764	1,421,182,548	1,630,220,000	1,462,365,000
August	1,926,434,810	1,685,375,357	1,578,981,113	1,327,380,000	1,354,228,000
Total	13,700,596,196	13,278,779,339	12,094,473,422	11,636,700,000	12,677,969,000

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

Annual Rainfall (by month)

Last ten fiscal years

(Unaudited)

	30 Yr Avg	125 Yr Avg	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
September	2.97	3.18	0.97	1.62	3.40	7.13	1.85	3.38	4.93	6.89	1.99	1.73
October	2.27	1.98	0.61	0.40	4.69	2.71	4.90	1.86	0.50	2.46	2.83	1.92
November	1.30	1.29	0.26	1.20	0.79	1.19	0.07	0.65	1.98	0.47	1.22	0.15
December	1.11	0.89	-	1.20	2.57	3.32	0.38	1.59	4.42	1.22	0.22	1.50
January	0.74	0.68	0.28	1.53	1.29	0.75	0.41	1.10	0.83	0.91	0.24	0.73
February	0.90	0.94	0.03	0.79	0.13	1.59	0.74	0.55	0.76	0.93	0.62	0.54
March	1.56	1.61	1.96	5.23	1.67	2.65	2.71	1.62	0.93	0.77	0.13	2.12
April	2.59	2.54	3.05	1.74	0.88	1.13	0.67	3.55	4.37	1.99	3.50	4.02
May	4.82	3.93	5.27	2.55	5.09	7.29	2.23	6.29	5.42	10.90	5.26	8.44
June	4.38	4.21	3.73	4.46	3.15	4.38	8.83	7.35	0.58	7.66	5.90	2.49
July	3.07	3.38	2.57	1.73	5.73	4.08	1.35	5.99	4.67	2.39	0.51	1.00
August	3.42	3.49	0.55	3.41	1.27	2.79	4.35	3.38	3.83	3.78	7.54	1.11
Total	29.13	28.12	19.28	25.86	30.66	39.01	28.49	37.31	33.22	40.37	29.96	25.75

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

WATER ANALYSIS

(All Results in Parts Per Million)
(Collected August 12,2022)
(Unaudited)

550 W. Cornhusker Hwy.

Hydrogen Ion Concentration (pH)	7.96
Total Dissolved Solids.....	333 ppm.
Total Iron (Fe)	<0.050 ppm.
Manganese (Mn).....	0.002 ppm.
Calcium (as Ca)	52.1 ppm.
Total Alkalinity (CaCO ₃).....	162 ppm.
Chloride (Cl).....	21.6 ppm.
Fluoride (F)	0.86 ppm.
Nitrate (+Nitrite)	0.29 ppm.
Sodium (Na).....	31 ppm.
Hardness as (CaCO ₂)	
Total Hardness	184 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, 2022

(Unaudited)

Type of policy	Insurance coverage	Policy limits	Self-insured retention deductible	Department self-insurance deductible	Insurance carrier	Policy number
Automobile Fleet Liability	Self-Insured Excess Coverage Excess Coverage	0 – 400,000 400,000 - 1,000,000 1,000,000 - 6,000,000	250,000		States	3000027-6
Automobile Fleet Physical Damage**	Self-Insured	Actual cash value	2,500	2,500		
Building and Contents (Includes Boiler & Machinery)	Blanket policy - buildings and contents	Replacement cost	100,000	50,000	FM Global	1104345
Money and Securities	Inside/outside premises	3,000,000	50,000	10,000	Hanover	BDCJ13667400
Water Distribution	Water distribution center	Per Property Schedule	100,000	10,000	FM Global	1104345
Data Processing Equipment	Computer equipment, data and media	Replacement cost	100,000	2,500	FM Global	1104345
Equipment Floater (911)	Radio tower floater	Replacement cost	100,000	2,500	FM Global	1104345
Equipment Floater (NON-LIC)	Non licensed scheduled equipment	Actual Cash Value	100,000	2,500	FM Global	1104345
General Liability ***	\$6,000,000 occurrence / \$12,000,000 annual aggregate	6,000,000	400,000	0	States	3000027-6
Public Employee Blanket Bond	Employees blanket bond coverage	3,000,000	50,000	10,000	Hanover	BDCJ13667400
Public Officials Liability***	\$6,000,000 occurrence / \$12,000,000 annual aggregate	6,000,000	400,000	0	States	3000027-6
Workers' Compensation Excess	Statutory	Statutory	800,000	0	Midwest Employers Casualty (MECC)	EW007744
Cyber Liability	1 st Party/3 rd Party/Data Breach	3,000,000	1,000,000		XL Catlin	MTP903493605

** Self-insured for both comp & collision.

*** Public Entity Policy

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

Summary of Insurance Coverage

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.