

Lincoln Wastewater System

2016

Financial Statements
& Schedules

Fiscal Year Ended
August 31, 2016



ANNUAL FINANCIAL REPORT

DEPARTMENT OF PUBLIC WORKS & UTILITIES

CITY OFFICIALS

Chris Beutler Mayor

COUNCIL MEMBERS

Leirion Gaylor Baird.....Chair

Roy Christensen.....Vice-Chair

Jon Camp
Carl Eskridge
Trent Fellers
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Jane Raybould

WASTEWATER SYSTEM

Miki Esposito Director of Public Works & Utilities

Donna Garden.....Assistant Director of Public Works & Utilities

Lincoln Wastewater System
August 31, 2016 and 2015

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RSM US LLP

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Lincoln Wastewater System, an Enterprise Fund of City of Lincoln, Nebraska (the System), as of and for the years ended August 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System, as of August 31, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the activity of Lincoln Wastewater System, an Enterprise Fund of 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, 2016 and 2015, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 – 8 be presented to supplement the basic financial statements. Such information, 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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, as presented in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

RSM US LLP

Omaha, Nebraska
January 4, 2017

LINCOLN WASTEWATER SYSTEM

Management's Discussion and Analysis

This Management's Discussion and Analysis of the Lincoln Wastewater System's (the "System") financial performance provides an overview of the financial activities for the years ended August 31, 2016 and 2015. Please read this information in conjunction with the accompanying basic financial statements and notes to the financial statements.

Using This Annual Report

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

The Statements of Net Position and Statement of Revenues, Expenses and Changes in Net Position

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

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

The Statement of Cash Flows

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

The System's Net Position

The System's net position is the difference between its assets plus deferred outflows of resources and liabilities reported in the Statements of Net Position. The System's net position increased by \$6,475,163 in 2016 over 2015 as shown in Table 1.

Financial Analysis

The following comparative condensed financial statements summarize the System's financial position and operating results for the years ended August 31, 2016, 2015, and 2014.

Table 1

Condensed Statements of Net Position

	August 31		Change	
	2016	2015	Dollars	Percent
Current assets	\$ 19,391,856	\$ 16,703,927	2,687,929	16.09%
Capital assets	269,342,745	269,530,636	(187,891)	(0.07%)
Noncurrent assets	13,879,198	14,925,586	(1,046,388)	(7.01%)
Deferred outflows of resources	616,005	669,714	(53,709)	(8.02%)
Total assets and deferred outflows or resources	303,229,804	301,829,863	1,399,941	0.46%
Current liabilities	7,562,269	7,605,636	(43,367)	(0.57%)
Long-term liabilities	78,265,122	83,296,977	(5,031,855)	(6.04%)
Total liabilities	85,827,391	90,902,613	(5,075,222)	(5.58%)
Net position				
Net investment in capital assets	192,550,933	187,492,677	5,058,256	2.70%
Restricted for debt service	950,824	1,039,387	(88,563)	(8.52%)
Restricted for capital acquisition	791,730	471,019	320,711	68.09%
Unrestricted	23,108,926	21,924,167	1,184,759	5.40%
Total net position	217,402,413	210,927,250	6,475,163	3.07%
Total liabilities and net position	\$303,229,804	\$301,829,863	1,399,941	0.46%

Financial Highlights – Fiscal Year 2016

- Current assets increased primarily due to increases in cash balances.
- Noncurrent assets decreased primarily due to decreases in investment balances.
- Long term liabilities decreased primarily due to debt service payments made during the year. No new debt has been issued in the fiscal year.

Table 2

Condensed Statements of Net Position

	August 31		Change	
	2015	2014	Dollars	Percent
Current assets	\$ 16,703,927	\$ 19,976,997	(3,273,070)	(16.38%)
Capital assets	269,530,636	262,080,723	7,449,913	2.84%
Noncurrent assets	14,925,586	16,276,222	(1,350,636)	(8.30%)
Deferred outflows of resources	669,714	860,147	(190,433)	(22.14%)
Total assets and deferred outflows or resources	301,829,863	299,194,089	2,635,774	0.88%
Current liabilities	7,605,636	9,714,904	(2,109,268)	(21.71%)
Long-term liabilities	83,296,977	86,217,219	(2,920,242)	(3.39%)
Total liabilities	90,902,613	95,932,123	(5,029,510)	(5.24%)
Net position				
Net investment in capital assets	187,492,677	175,574,409	11,918,268	6.79%
Restricted for debt service	1,039,387	893,268	146,119	16.36%
Restricted for capital acquisition	471,019	620,596	(149,577)	(24.10%)
Unrestricted	21,924,167	26,173,693	(4,249,526)	(16.24%)
Total net position	210,927,250	203,261,966	7,665,284	3.77%
Total liabilities and net position	\$301,829,863	\$299,194,089	2,635,774	0.88%

Financial Highlights – Fiscal Year 2015

- Current assets decreased primarily due to decreases in cash and investment balances and an accounts receivable from the Nebraska Department of Environmental Quality (NDEQ).
- Deferred outflows of resources consists of the deferred loss on refunded debt. In 2015, the System refunded \$13,320,000 of Wastewater Revenue Bonds, Series 2005 resulting in a deferred gain of \$131,673.
- Current liabilities decreased due to the completion of several construction projects during the year.

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

	August 31		Change	
	2016	2015	Dollars	Percent
Operating revenues	\$27,986,580	\$27,029,419	957,161	3.54%
Nonoperating revenues				
Investment income	345,697	280,812	64,885	23.11%
Miscellaneous revenue	-	20,541	(20,541)	(100.00%)
FEMA reimbursement	27,347	-	27,347	100.00%
Total nonoperating revenues	373,044	301,353	71,691	23.79%
Total Revenues	28,359,624	27,330,772	1,028,852	3.76%
Operating expenses				
Plant, pumping and treatment	11,927,197	11,220,303	706,894	6.30%
Operation and maintenance of wastewater lines	6,468,472	6,282,769	185,703	2.96%
Sanitary engineering services	2,026,546	2,060,495	(33,949)	(1.65%)
Accounting and collecting	830,516	800,837	29,679	3.71%
Administrative and general	1,117,476	1,160,227	(42,751)	(3.68%)
Total operating expenses	22,370,207	21,524,631	845,576	3.93%
Nonoperating expenses				
Interest and amortization expense	2,432,373	2,558,753	(126,380)	(4.94%)
Net costs recoverable	49,512	44,968	4,544	10.10%
Total nonoperating expenses	2,481,885	2,603,721	(121,836)	(4.68%)
Total Expenses	24,852,092	24,128,352	723,740	3.00%
Income before contributions and transfers	3,507,532	3,202,420	305,112	9.53%
Capital contributions	3,023,625	4,462,864	(1,439,239)	(32.25%)
Transfers out	(55,994)	-	(55,994)	100.00%
Change in net position	\$ 6,475,163	\$ 7,665,284	(\$1,190,121)	(15.53%)

Financial Highlights – Fiscal Year 2016

- Wastewater revenue increased primarily due to a 3% revenue increase implemented November 2015 and applied solely to the service charge.
- Total operating expenses increased primarily due to increased plant, pumping and treatment cost, including depreciation and maintenance.

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

	August 31		Change	
	2015	2014	Dollars	Percent
Operating revenues	\$27,029,419	\$25,860,215	1,169,204	4.52%
Nonoperating revenues				
Investment income	280,812	600,438	(319,626)	(53.23%)
Miscellaneous revenue	20,541	-	20,541	100.00%
Total nonoperating revenues	301,353	600,438	(299,085)	(49.81%)
Total Revenues	27,330,772	26,460,653	870,119	3.29%
Operating expenses				
Plant, pumping and treatment	11,220,303	11,241,542	(21,239)	(0.19%)
Operation and maintenance of wastewater lines	6,282,769	6,028,135	254,634	4.22%
Sanitary engineering services	2,060,495	2,154,526	(94,031)	(4.36%)
Accounting and collecting	800,837	774,832	26,005	3.36%
Administrative and general	1,160,227	924,060	236,167	25.56%
Total operating expenses	21,524,631	21,123,095	401,536	1.90%
Nonoperating expenses				
Interest expense	2,558,753	2,699,875	(141,122)	(5.23%)
Net costs recoverable	44,968	41,721	3,247	7.78%
Miscellaneous expense	-	20,541	(20,541)	(100.00%)
Total nonoperating expenses	2,603,721	2,762,137	(158,416)	(5.74%)
Total Expenses	24,128,352	23,885,232	243,120	1.02%
Income before contributions	3,202,420	2,575,421	626,999	24.35%
Capital contributions	4,462,864	1,869,248	2,593,616	(138.75%)
Change in net position	\$ 7,665,284	\$ 4,444,669	\$ 3,220,615	72.46%

Financial Highlights – Fiscal Year 2015

- Wastewater revenue increased primarily due to a 3% revenue increase implemented November 2014 and applied solely to the service charge.
- Total operating expenses increased primarily due to increased operating cost, including salary and fringe benefits.
- Capital contributions increased during the year because of increased development activity.

Debt Activity

In April 2015, the System issued \$12,220,000 in Sanitary Sewer Refunding Bonds at an average interest rate of 3.06% to refund \$13,320,000 of Wastewater Revenue Bonds, Series 2005, with interest rates ranging from 1.0% to 4.0%. The City completed the advance refunding to reduce its total debt service payments over the next 15 years by \$2,376,871 for an economic gain (difference between the present values of the old and new debt service payments) of \$1,304,075.

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 debt is restricted.

Capital Asset Activity

The System's investment in capital assets as of August 31, 2016 amounts to \$269,342,745 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment. Major capital asset events during 2016 include select main replacements for approximately \$1.9 million.

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 AAA (MBIA Insured) and AA+ (Underlying). The credit rating issued by Moody's Rating Services is Aaa (MBIA Insured) and Aa2 (Underlying).

Commitments and Contingencies

The System has commitments under major construction contracts in progress of approximately \$2,800,000 at August 31, 2016.

Forward-Looking Information

The approved Capital Improvement Program for Fiscal Year 2016/17 - 2021/22 identifies the need for \$98,920,000 to fund capital improvements for the System. Approximately \$26,050,000 of that total is projected to be funded by revenue bonds. Future user fee increases will be necessary to make the needed improvements possible.

In August 2016, the Lincoln City Council approved a 5% revenue increase, which will be attained through increases in the various service charges.

Contact Information

This financial report is intended to provide users a general overview of the System's financial performance for 2016 and 2015. If you have questions about this report or need additional financial information, please contact the Business Office of the Public Works & Utilities Department at 555 South 10th Street, Lincoln, NE 68508.

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

Statements of Net Position

August 31, 2016 and 2015

Assets and Deferred Outflows of Resources	2016	2015
Current assets:		
Equity in pooled cash and investments	\$ 13,542,801	\$ 11,327,569
Receivables:		
Accounts receivable	2,144,205	2,164,305
Unbilled revenues	2,805,361	2,631,813
Impact fees	791,730	471,019
Total receivables	5,741,296	5,267,137
Inventories	107,759	109,221
Total current assets	19,391,856	16,703,927
Noncurrent assets:		
Equity in pooled cash and investments	5,507,132	6,583,343
Restricted assets:		
Equity in pooled cash	1,896,608	1,915,024
Investments	5,828,073	5,730,322
Total restricted assets	7,724,681	7,645,346
Utility plant:		
Non-depreciable	10,044,841	8,342,062
Depreciable	395,598,767	389,151,831
Less accumulated depreciation	(136,300,863)	(127,963,257)
Net utility plant	269,342,745	269,530,636
Costs recoverable from future billings	647,385	696,897
Total noncurrent assets	283,221,943	284,456,222
Total assets	302,613,799	301,160,149
Deferred outflows of resources:		
Deferred loss on refunding	616,005	669,714
Total assets and deferred outflows of resources	\$ 303,229,804	\$ 301,829,863
Liabilities and Net Position		
Current liabilities:		
Accounts payable	\$ 455,661	\$ 320,288
Accrued liabilities	652,902	584,299
Deposits liability	8,649	8,649
Accrued compensated absences	398,744	391,570
Construction contracts	768,965	1,133,634
Current maturities of long-term debt	4,761,635	4,562,314
Accrued interest	515,713	604,882
Total current liabilities	7,562,269	7,605,636
Long-term liabilities:		
Accrued liabilities	314,718	264,347
Accrued compensated absences	399,371	324,589
Construction contracts	-	117,455
Long-term debt, excluding current maturities	77,551,033	82,590,586
Total long-term liabilities	78,265,122	83,296,977
Total liabilities	85,827,391	90,902,613
Net position:		
Net investment in capital assets	192,550,933	187,492,677
Restricted for debt service	950,824	1,039,387
Restricted for capital acquisition	791,730	471,019
Unrestricted	23,108,926	21,924,167
Total net position	217,402,413	210,927,250
Total liabilities and net position	\$ 303,229,804	\$ 301,829,863

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses and Changes in Net Position

Years ended August 31, 2016 and 2015

	2016	2015
Operating revenues	\$ 27,986,580	\$ 27,029,419
Operating expenses:		
Plant, pumping and treatment	11,927,197	11,220,303
Operation and maintenance of wastewater lines	6,468,472	6,282,769
Sanitary engineering services	2,026,546	2,060,495
Accounting and collecting	830,516	800,837
Administrative and general	1,117,476	1,160,227
Total operating expenses	22,370,207	21,524,631
Operating income	5,616,373	5,504,788
Nonoperating revenues (expenses):		
Investment income	345,697	280,812
Interest and amortization expense	(2,432,373)	(2,558,753)
Net costs recoverable	(49,512)	(44,968)
Miscellaneous revenue	-	20,541
FEMA Reimbursements	27,347	-
Net nonoperating expenses	(2,108,841)	(2,302,368)
Increase in net position before capital contributions	3,507,532	3,202,420
Capital contributions from:		
Developers	2,329,460	3,746,229
Tap fees	32,439	37,441
Impact Fees	661,726	679,194
Total capital contributions	3,023,625	4,462,864
Transfers Out	(55,994)	-
Increase in net position	6,475,163	7,665,284
Total net position - beginning	210,927,250	203,261,966
Total net position - ending	\$ 217,402,413	\$ 210,927,250

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended August 31, 2016 and 2015

	2016	2015
Operating activities:		
Receipts from customers and users	\$ 27,512,421	\$ 29,425,161
Payments to suppliers	(5,726,953)	(6,087,711)
Payments to employees	(7,954,343)	(7,581,876)
Net cash provided by operating activities	13,831,125	15,755,574
Noncapital financing activities:		
Transfer (to) from other funds	(55,994)	69,765
Net cash (used in) provided by noncapital financing activities	(55,994)	69,765
Capital and related financing activities:		
Acquisition and construction of capital assets	(5,519,976)	(12,753,131)
Principal paid on revenue bonds	(3,470,000)	(2,710,000)
Proceeds from NDEQ loan	-	1,938,063
System funds used for bond refinancing	-	(822,739)
Interest paid on long term debt	(2,847,529)	(2,982,845)
Repayments on NDEQ loan	(1,092,314)	(1,037,284)
Other	27,347	20,541
Net cash used in capital and related financing activities	(12,902,472)	(18,347,395)
Investing activities:		
Purchases of investments	(19,137,687)	(18,956,047)
Proceeds from investment maturities	18,579,937	20,092,251
Interest on investments	195,765	217,877
Net cash provided by (used in) investing activities	(361,985)	1,354,081
Net increase (decrease) in cash and cash equivalents	510,674	(1,167,975)
Cash and cash equivalents at beginning of year	407,420	1,575,395
Cash and cash equivalents at end of year	\$ 918,094	\$ 407,420
Composition of equity in pooled cash and investments (current)		
Cash and cash equivalents	\$ 918,094	\$ 407,420
Investments	12,624,707	10,920,149
Total equity in pooled cash and investments (current)	\$ 13,542,801	\$ 11,327,569
Reconciliation of net operating income to net cash provided by operating activities:		
Operating income	\$ 5,616,373	\$ 5,504,788
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	8,351,146	7,983,070
Changes in operating assets and liabilities:		
Accounts receivable	(474,159)	2,403,742
Inventories	1,462	(17,706)
Accounts payable	135,373	(227,760)
Accrued liabilities and deposit liability	118,974	60,314
Accrued compensated absences	81,956	49,126
Total adjustments	8,214,752	10,250,786
Net cash provided by operating activities	\$ 13,831,125	\$ 15,755,574

Supplemental disclosure of noncash transactions:

Contributed capital improvements of \$2,329,460 and \$3,746,229 were added to utility plant in 2016 and 2015 respectively.

Accounts payable incurred for utility plant purchases were \$768,965 and \$1,251,089 in 2016 and 2015, respectively.

See accompanying notes to financial statements.

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2016 and 2015

(1) Organization and Summary of Significant Accounting Policies

Organization and Nature of Operations

Lincoln Wastewater System is a public utility accounted for as an enterprise fund by the City of Lincoln, Nebraska (City). Lincoln Wastewater 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 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 Wastewater 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, 2016 and 2015, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Operating Revenues and Expenses

As an enterprise fund, the System distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the System's principal ongoing operations. The principal operating revenues of the System are charges to customers for sales and services. Operating expenses include the costs 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 WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2016 and 2015

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

Accounts Receivable and Unbilled Revenues

Wastewater revenues are recorded based on the related period of customer usage. Billings for wastewater 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, 2016 or 2015.

Restricted Assets

Certain proceeds of the Systems 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.

Utility Plant (Capital Assets)

Cost of additions and replacements to utility plant are capitalized. Cost includes labor, materials, payments to contractors, equipment use, and indirect costs. Long-term construction contracts that are entered into with developers to expand the distribution system and structure are capitalized at cost over the term of construction, with the related liability classified between current and long-term based upon the anticipated expenditure appropriation or collection of directed impact fees. Interest expense, net of interest earned on unspent bond proceeds, is capitalized in connection with the construction of major assets. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. 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. Expenditures for maintenance and repairs are charged to current expenses. Items with a cost greater than \$5,000 are capitalized. Items less than \$5,000 may be capitalized if they belong to a larger asset or if documentation is received stating that significant additions will be made to the item in the near future.

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

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

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2016 and 2015

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

Deposits and Investments

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

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

The System participates in a cash management pool, managed by the City. The pool consists of bank deposits and investments. The System's interest in this pool is shown as equity in pooled cash and investments in the statements of net position, and is recorded at their interest in the City's pool, which includes both cash and investments reported at their estimated fair value.

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

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

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

Capital Contributions

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

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

Impact Fees are charges levied against new construction, changes in land use, or an increase in water meter size to help generate revenue to build new infrastructure needed because of development. Impact fees collected are recognized as revenue as expenditures are incurred.

Unamortized Premium on Revenue Bonds

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

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2016 and 2015

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

Inventories

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

Deferred Outflow of Resources

Deferred outflow of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The System only has one item that qualifies for reporting in this capacity. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt using the straight-line method which approximates the effective interest rate method.

Revenue

Wastewater 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 billings for residential customers are based on water usage during a winter billing cycle, whereas the billings for nonresidential customers are based on water used each cycle. The following rates were in effect as of August 31, 2016 and 2015, respectively:

	<u>August 31, 2016</u>	<u>August 31, 2015</u>
<u>Water Usage</u>	\$1.859	\$1.859
<u>Service Charge</u>		
5/8 inch	\$ 2.32	\$ 1.98
3/4 inch	4.50	3.85
1 inch	8.01	6.86
1 1/2 inch	15.88	13.59
2 inch	25.43	21.77
3 inch	47.77	40.89
4 inch	79.67	68.20
6 inch	159.20	136.28
8 inch	254.75	218.06
10 inch	366.32	313.57

In August 2016, the Lincoln City Council approved rate increases for the next two years. The first rate increase of 5% is effective in November 2016 and the second increase of 5% is effective in November 2017.

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2016 and 2015

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

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 component of net position.

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

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2016 and 2015

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

Compensated Absences

Employees earn vacation days at varying rates dependent on years of service. In the event of termination, an employee is reimbursed for accumulated vacation time up to a maximum allowed accumulation which is in no case longer than 36.25 days. Employees earn sick leave at the rate of approximately one day per month. Upon retirement, death, or reduction in force, an employee or their beneficiary is reimbursed up to 65% of accumulated sick leave, which may in some cases be placed directly in a medical spending account instead of reimbursing the employee directly. The System accrues for vacation, sick leave and other compensated absences with similar characteristics.

Compensated absences of the System at August 31, 2016 and 2015 are summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
August 31, 2016	\$716,159	473,526	391,570	798,115	398,744
August 31, 2015	\$667,033	432,678	383,552	716,159	391,570

Other Post-Employment Benefits (OPEB)

The System recorded a long-term accrued liability for the net OPEB obligation, which represents the cumulative difference between the annual OPEB cost and employer contributions, of approximately \$315,000 and \$265,000 as of August 31, 2016 and 2015, respectively, in connection with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The complete disclosures required by GASB 45 are included in the City of Lincoln Comprehensive Annual Financial Report (CAFR).

Use of Estimates

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

(2) Deposits, Investments, and Investment Return

Deposits

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

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2016 and 2015

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

Investments

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment securities that are in the possession of an outside party. The System's investments in U.S. Government Sponsored agency obligations are held in a book entry system in an account designated as a customer account at the Federal Reserve Bank and the custodian's internal records identify the City as owner.

Fair value measurements: During the fiscal year ending June 30, 2016, the System adopted GASB Statement No. 72, Fair Value Measurement and Application, which provides guidance for determining a fair value measurement for financial reporting purposes. The System categorizes its assets and liabilities measured at fair value within the hierarchy established by generally accepted accounting principles. Assets and liabilities valued at fair value are categorized based on inputs to valuation techniques as follows:

Level 1 input: Quoted prices for identical assets or liabilities in an active market that an entity has the ability to access.

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

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

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

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

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2016 and 2015

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

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

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

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

At August 31, 2016 and 2015, the System had the following investments and maturities:

Type	August 31, 2016				Fair Value Measurement
	Fair Value	Maturities in Years			
		Less than 1	1 - 5	6 - 10	
U.S. Government Sponsored Agencies	\$5,828,073	\$1,358,767	\$1,122,803	\$3,346,503	Level 2

Type	August 31, 2015				Fair Value Measurement
	Fair Value	Maturities in Years			
		Less than 1	1 - 5	6 - 10	
U.S. Government Sponsored Agencies	\$5,730,322	\$ -	\$2,467,022	\$3,263,300	Level 2

Interest Rate Risk:

Interest rate risk is the risk that a change in interest rates will adversely affect the value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits current operating funds to be invested with maturities of no longer than twenty-four months. Fixed income investments in construction funds, operating funds, and other non-operating funds shall have a term appropriate to the need for funds and in accordance with debt covenants.

Credit Risk:

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of August 31, 2016 and 2015, the System investments in United States Government sponsored agencies not directly guaranteed by the United States government were rated AA+ by S & P and Aaa by Moody's.

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2016 and 2015

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

Concentration of Credit Risk:

The City's investment policy places various limits on the amount that may be invested in any one issuer or security type. Per the policy, allocation limits do not apply to the investment of debt proceeds. These investments shall be governed by the debt covenant included in the debt instrument. The investments mentioned below were made with funds from the bond debt reserve funds established. Concentrations greater than 5% at August 31 are shown below:

	<u>2016</u>	<u>2015</u>
U.S. Government Agency Obligations		
Federal Home Loan Bank	21.9%	17.2%
Federal Farm Credit Bank	0.0%	5.4%

The carrying amount of equity interests in pooled cash and investments at August 31, 2016 and 2015, are:

	<u>2016</u>	<u>2015</u>
Equity in pooled cash and investments	\$20,946,541	\$19,825,936
Percentage of City's Pool	6.4%	6.5%

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

Investment Income

Investment income for the years ended August 31, 2016 and 2015, consisted of:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$190,998	\$209,068
Net change in fair value of investments	154,699	71,744
	<u>\$345,697</u>	<u>\$280,812</u>

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

Notes to Financial Statements

August 31, 2016 and 2015

(3) Utility Plant

Utility plant is summarized by major classification at August 31, 2016 as follows:

Asset Class	Capital Assets			Accumulated Depreciation			Net Capital Assets		
	August 31, 2015	Increases	Decreases	August 31, 2016	August 31, 2015	Increases	Decreases	August 31, 2016	August 31, 2016
Structures and improvements	\$ 80,049,323	\$ 28,163	\$ -	\$ 80,077,486	\$ (30,659,288)	\$ (1,824,549)	\$ -	\$ (32,483,837)	\$ 47,593,649
Line equipment	205,211	-	-	205,211	(114,148)	(36,857)	-	(151,005)	54,206
Treatment equipment	66,309,055	572,732	-	66,881,787	(29,387,127)	(2,463,360)	-	(31,850,487)	35,031,300
Collection system	220,806,870	4,985,315	-	225,792,185	(59,127,495)	(3,195,288)	-	(62,322,783)	163,469,402
Lift stations/force mains	9,420,637	135,144	-	9,555,781	(657,553)	(222,113)	-	(879,666)	8,676,115
Environmental equipment	376,508	-	-	376,508	(349,455)	(4,297)	-	(353,752)	22,756
Office furniture and equipment	462,554	80,746	-	543,300	(411,040)	(21,358)	-	(432,398)	110,902
Shop equipment	271,951	-	-	271,951	(227,490)	(7,008)	-	(234,498)	37,453
Communications system	529,275	217,535	-	746,810	(385,282)	(58,545)	-	(443,827)	302,983
Laboratory equipment	674,352	-	-	674,352	(554,397)	(26,417)	-	(580,814)	93,538
Injection system	658,907	-	-	658,907	(447,439)	(10,083)	-	(457,522)	201,385
Pond and liner	520,132	-	-	520,132	(505,665)	(14,467)	-	(520,132)	-
Sludge injection equipment	79,663	-	-	79,663	(66,497)	(6,034)	-	(72,531)	7,132
Transmission/work equipment	1,125,400	-	-	1,125,400	(363,729)	(51,336)	-	(415,065)	710,335
Meters	4,755,370	342,283	-	5,097,653	(2,746,283)	(248,665)	-	(2,994,948)	2,102,705
Vehicles	2,906,623	101,472	(16,454)	2,991,641	(1,960,369)	(160,769)	13,540	(2,107,598)	884,043
Total depreciable assets	389,151,831	6,463,390	(16,454)	395,598,767	(127,963,257)	(8,351,146)	13,540	(136,300,863)	259,297,904
Land and land rights	6,862,144	51,156	-	6,913,300	-	-	-	-	6,913,300
Construction in progress	1,479,918	5,264,153	(3,612,530)	3,131,541	-	-	-	-	3,131,541
Total nondepreciable assets	8,342,062	5,315,309	(3,612,530)	10,044,841	-	-	-	-	10,044,841
Total capital assets	\$ 397,493,893	\$ 11,778,699	\$ (3,628,984)	\$ 405,643,608	\$ (127,963,257)	\$ (8,351,146)	\$ 13,540	\$ (136,300,863)	\$ 269,342,745

During 2016, the System incurred \$2,601,043 of interest cost. Interest capitalized into construction in progress during 2016 was \$101,779. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets.

The composite depreciation rate was approximately 2.11% in 2016.

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

Notes to Financial Statements

August 31, 2015 and 2014

(3) Utility Plant

Utility plant is summarized by major classification at August 31, 2015 as follows:

Asset Class	Capital Assets			Accumulated Depreciation				Net Capital Assets	
	August 31, 2014	Increases	Decreases	August 31, 2015	August 31, 2014	Increases	Decreases	August 31, 2015	August 31, 2015
Structures and improvements	\$ 79,990,077	\$ 59,246	\$ -	\$ 80,049,323	\$ (28,836,698)	\$ (1,822,590)	\$ -	\$ (30,659,288)	\$ 49,390,035
Line equipment	160,473	44,738	-	205,211	(69,498)	(44,650)	-	(114,148)	91,063
Treatment equipment	60,733,426	5,575,629	-	66,309,055	(27,073,099)	(2,314,028)	-	(29,387,127)	36,921,928
Collection system	212,653,994	8,152,876	-	220,806,870	(55,990,370)	(3,137,125)	-	(59,127,495)	161,679,375
Lift stations/force mains	1,207,441	8,213,196	-	9,420,637	(581,273)	(76,280)	-	(657,553)	8,763,084
Environmental equipment	376,508	-	-	376,508	(344,225)	(5,230)	-	(349,455)	27,053
Office furniture and equipment	498,889	7,529	(43,864)	462,554	(439,314)	(13,554)	41,828	(411,040)	51,514
Shop equipment	271,951	-	-	271,951	(217,863)	(9,627)	-	(227,490)	44,461
Communications system	511,621	17,654	-	529,275	(338,131)	(47,151)	-	(385,282)	143,993
Laboratory equipment	662,229	12,123	-	674,352	(522,078)	(32,319)	-	(554,397)	119,955
Injection system	658,907	-	-	658,907	(434,984)	(12,455)	-	(447,439)	211,468
Pond and liner	520,132	-	-	520,132	(491,197)	(14,468)	-	(505,665)	14,467
Sludge injection equipment	79,663	-	-	79,663	(60,463)	(6,034)	-	(66,497)	13,166
Transmission/work equipment	1,125,400	-	-	1,125,400	(312,393)	(51,336)	-	(363,729)	761,671
Meters	4,376,102	379,268	-	4,755,370	(2,513,983)	(232,300)	-	(2,746,283)	2,009,087
Vehicles	2,841,009	65,614	-	2,906,623	(1,796,446)	(163,923)	-	(1,960,369)	946,254
Total depreciable assets	366,667,822	22,527,873	(43,864)	389,151,831	(120,022,015)	(7,983,070)	41,828	(127,963,257)	261,188,574
Land and land rights	6,205,956	656,188	-	6,862,144	-	-	-	-	6,862,144
Construction in progress	9,228,960	11,336,664	(19,085,706)	1,479,918	-	-	-	-	1,479,918
Total nondepreciable assets	15,434,916	11,992,852	(19,085,706)	8,342,062	-	-	-	-	8,342,062
Total capital assets	\$ 382,102,738	\$ 34,520,725	\$ (19,129,570)	\$ 397,493,893	\$ (120,022,015)	\$ (7,983,070)	\$ 41,828	\$ (127,963,257)	\$ 269,530,636

During 2015, the System incurred \$3,101,554 of interest cost. Interest capitalized into construction in progress during 2015 was \$338,815. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets.

The composite depreciation rate was approximately 2.05% in 2015.

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2016 and 2015

(4) Long-term Liabilities

Long-term debt of the System at August 31, 2016 and 2015 is summarized below:

2016

Type of Debt	August 31, 2015	Additions	Reductions	August 31, 2016	Due Within One Year
4.0% - 4.5% Wastewater Revenue Bonds, Series 2007. Interest due semi-annually on June 15 and December 15. Principal payments due annually on June 15, 2015 through 2032. Redeemable at par on or after June 15, 2017.	\$16,090,000	\$ -	\$665,000	\$15,425,000	\$695,000
0.0% - 2.0% Nebraska Department of Environmental Quality (NDEQ) 2009 project loan payable (C317247). Principal and interest payments due semi-annually on June 15 and December 15, with final payment in 2031.	2,834,895	-	166,249	2,668,646	168,413
2.0% Nebraska Department of Environmental Quality (NDEQ) 2009 project loan payable (C317078). Principal and interest payments due semi-annually on June 15 and December 15, with final payment in 2032.	4,263,933	-	220,516	4,043,417	224,948
3.25% Nebraska Department of Environmental Quality (NDEQ) 2011 project loan payable (C317830). Principal and interest payments due semi-annually on June 15 and December 15, with final payment in 2034.	15,908,000	-	705,549	15,202,451	718,274
1.0% - 5.0% Wastewater Revenue Refunding Bonds, Series 2012. Interest due semi-annually on June 15 and December 15. Principal payments due annually on June 15, 2015 through 2028. Redeemable at par on or after June 15, 2022.	32,205,000	-	2,150,000	30,055,000	2,235,000
1.0% - 4.0% Wastewater Revenue Refunding Bonds, Series 2015. Interest due semi-annually on June 15 and December 15. Principal payments due annually on June 15, 2015 through 2030. Redeemable at par on or after June 15, 2025.	12,220,000	-	655,000	11,565,000	720,000
Unamortized premium on bonds	3,631,072	-	277,918	3,353,154	-
	<u>\$87,152,900</u>	<u>-</u>	<u>\$4,840,232</u>	<u>\$82,312,668</u>	<u>\$4,761,635</u>

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2016 and 2015

(4) Long-term Liabilities (continued)

2015

Type of Debt	August 31, 2014	Additions	Reductions	August 31, 2015	Due Within One Year
4.0% - 5.0% Wastewater Revenue Bonds, Series 2005. In April 2015, the bonds were advance refunded by the Wastewater Revenue Refunding Bonds, Series 2015.	\$13,320,000	\$ -	\$13,320,000	\$ -	\$ -
4.0% - 4.5% Wastewater Revenue Bonds, Series 2007. Interest due semi-annually on June 15 and December 15. Principal payments due annually on June 15, 2015 through 2032. Redeemable at par on or after June 15, 2017.	16,730,000	-	640,000	16,090,000	665,000
0.0% - 2.0% Nebraska Department of Environmental Quality (NDEQ) 2009 project loan payable (C317247). Principal and interest payments due semi-annually on June 15 and December 15, with final payment in 2031.	2,999,008	-	164,113	2,834,895	166,249
2.0% Nebraska Department of Environmental Quality (NDEQ) 2009 project loan payable (C317078). Principal and interest payments due semi-annually on June 15 and December 15, with final payment in 2032.	4,480,104	-	216,171	4,263,933	220,516
3.25% Nebraska Department of Environmental Quality (NDEQ) 2011 project loan payable (C317830). Principal and interest payments due semi-annually on June 15 and December 15, with final payment in 2034.	14,626,937	1,938,063	657,000	15,908,000	705,549
1.0% - 5.0% Wastewater Revenue Refunding Bonds, Series 2012. Interest due semi-annually on June 15 and December 15. Principal payments due annually on June 15, 2015 through 2028. Redeemable at par on or after June 15, 2022.	34,275,000	-	2,070,000	32,205,000	2,150,000
1.0% - 4.0% Wastewater Revenue Refunding Bonds, Series 2015. Interest due semi-annually on June 15 and December 15. Principal payments due annually on June 15, 2015 through 2030. Redeemable at par on or after June 15, 2025.	-	12,220,000	-	12,220,000	655,000
Unamortized premium on bonds	3,498,249	592,567	459,744	3,631,072	-
	<u>\$89,929,298</u>	<u>\$14,750,630</u>	<u>\$17,527,028</u>	<u>\$87,152,900</u>	<u>\$4,562,314</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.

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2016 and 2015

(4) Long-term Liabilities (continued)

Maturities and sinking fund requirements on long-term debt at August 31, 2016, are shown below:

Due years ending August 31	Bonds		Loans		Total
	Principal	Interest	Principal	Interest	
2017	\$ 3,650,000	\$ 2,017,876	\$ 1,111,635	\$ 451,867	\$ 7,231,378
2018	3,705,000	1,942,150	1,134,602	428,902	7,210,654
2019	3,760,000	1,859,275	1,158,054	405,449	7,182,778
2020	3,845,000	1,769,076	1,182,004	381,498	7,177,578
2021	3,950,000	1,653,525	1,206,464	357,039	7,167,028
2022 - 2026	21,980,000	5,934,884	6,417,780	1,399,736	35,732,400
2027 - 2031	14,850,000	1,710,992	7,010,878	705,392	24,277,262
2032 - 2034	1,305,000	57,092	2,693,097	87,692	4,142,881
Total	\$57,045,000	\$16,944,870	\$21,914,514	\$4,217,575	\$100,121,959

In April 2015, the System issued \$12,220,000 in Sanitary Sewer Refunding Bonds at an average interest rate of 3.06% to refund \$13,320,000 of Wastewater Revenue Bonds, Series 2005, with interest rates ranging from 1.0% to 4.0%. The City completed the advance refunding to reduce its total debt service payments over the next 15 years by \$2,376,871 for an economic gain (difference between the present values of the old and new debt service payments) of \$1,304,075. The refunding resulted in a deferred gain on refunding of \$131,673 which will be amortized over the remaining life of the new bonds. The \$12,220,000 proceeds were deposited immediately into an irrevocable trust for the defeasance of \$13,320,000 of outstanding revenue bond principal.

The System has entered into a loan agreement with NDEQ consisting of three separate contracts. Under Contract 317247, the System has borrowed \$4,808,792 to fund certain sewer system extension and sewer repairs. The interest rate throughout the term of the loan is 2.0%. The terms of the project loan payable are reflected in the summary of long-term debt. The System has also borrowed \$5,000,000 under Contract 317078 to fund certain projects at the Theresa Street and Northeast Wastewater Treatment Facilities. The interest rate throughout the term of the loan is 2.0%. The terms of the project loan payable are reflected in the summary of long-term debt. The System has also borrowed \$17,000,000 under Contract 317830 to fund certain wastewater solids handling, trunk sewer, and selected facility replacement improvements. The interest rate throughout the term of the loan is 3.25%. The terms of the project loan payable are reflected in the summary of long-term debt. All contracts are final as of year ended August 31, 2016.

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2016 and 2015

(4) Long-term Liabilities (continued)

The City has pledged future revenues derived from the operation of the System, net of operating and maintenance expenses, to repay all outstanding wastewater revenue bonds. Proceeds from the bonds and loans provided financing for improvements to the sanitary sewer system. 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 loans is \$100,121,959 with annual payments expected to require 49% of net revenues. Principal and interest paid for the current year and net system revenues were \$7,409,843 and \$15,007,381, respectively.

Construction contract payables of the System at August 31, 2016 and 2015 are summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
August 31, 2016	\$1,251,089	651,240	1,133,634	768,965	768,965
August 31, 2015	\$3,372,916	1,133,634	3,255,461	1,251,089	1,133,634

(5) Commitments and Contingencies

Construction Commitments:

The System has commitments under major construction contracts in progress of approximately \$2,800,000 at August 31, 2016.

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-insured loss fund. The Division provides first dollar coverage for all liability and workers' compensation exposure with insurance acting as an umbrella for 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 System had no claims or judgments exceeding the policy limits during each of the last three prior years. Budgeted premium amounts charged to the System are placed in the appropriate fund maintained by the Division. Premium expense was approximately \$394,000 and \$371,000 in 2016 and 2015, respectively.

Litigation:

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

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2016 and 2015

(6) Related Party Transactions

The City billed the System approximately \$535,000 and \$586,000 for administrative services during 2016 and 2015, respectively. The System also makes payments to Lincoln Electric System (LES), an enterprise fund of the City of Lincoln, for electricity used at the System's operating locations. Payments to LES totaled approximately \$1,005,000 and \$1,040,000 during 2016 and 2015, respectively. Approximately \$99,000 and \$73,000 are included in accounts payable for amounts owed to LES at August 31, 2016 and 2015.

A special revenue fund of the City collects and holds impact fees until they are distributed in accordance with City ordinance. The System was due impact fees of \$791,730 and \$471,019 as of August 31, 2016 and 2015, respectively.

(7) 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% vested in year seven. Contributions made by the System were approximately \$564,000 and \$557,000 for 2016 and 2015, respectively. Contributions made by the plan members were approximately \$310,000 and \$304,000 for 2016 and 2015, respectively.

SUPPLEMENTARY
INFORMATION

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

Summary of Long-Term Debt

August 31, 2016

Due years ending August 31	Series 2007		NDEQ Loan (C317247) 2009		NDEQ Loan (C317078) 2009		NDEQ Loan (C317830) 2011		Series 2012		Series 2015		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2017	\$ 695,000	\$ 667,088	\$ 168,413	\$ 34,081	\$ 224,948	\$ 79,749	\$ 718,274	\$ 338,037	\$ 2,235,000	\$ 1,027,350	\$ 720,000	\$ 323,438	\$ 4,761,635	\$ 2,469,743	\$ 7,231,378
2018	720,000	639,288	170,606	31,889	229,470	75,228	734,526	321,785	2,250,000	993,825	735,000	309,037	4,839,602	2,371,052	7,210,654
2019	750,000	610,488	172,826	29,668	234,082	70,615	751,146	305,166	2,265,000	954,450	745,000	294,337	4,918,054	2,264,724	7,182,778
2020	780,000	580,488	175,076	27,418	238,787	65,910	768,141	288,170	2,305,000	909,150	760,000	279,438	5,027,004	2,150,574	7,177,578
2021	815,000	549,288	177,355	25,139	243,587	61,111	785,522	270,789	2,360,000	840,000	775,000	264,237	5,156,464	2,010,564	7,167,028
2022-2026	4,625,000	2,189,696	922,012	90,461	1,293,374	230,114	4,202,394	1,079,161	13,190,000	2,712,600	4,165,000	1,032,588	28,397,780	7,334,620	35,732,400
2027-2031	5,735,000	1,068,402	882,358	28,869	1,428,690	94,798	4,699,830	581,725	5,450,000	318,000	3,665,000	324,590	21,860,878	2,416,384	24,277,262
2032-2034	1,305,000	57,092	-	-	150,479	1,505	2,542,618	86,187	-	-	-	-	3,998,097	144,784	4,142,881
	\$ 15,425,000	\$ 6,361,830	\$ 2,668,646	\$ 267,525	\$ 4,043,417	\$ 679,030	\$ 15,202,451	\$ 3,271,020	\$ 30,055,000	\$ 7,755,375	\$ 11,565,000	\$ 2,827,665	\$ 78,959,514	\$ 21,162,445	\$ 100,121,959

LINCOLN WASTEWATER 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
2007	21,158,743	11,462,964	9,695,779	2,005,000	3,082,787	5,087,787	1.91	2,005,000	3,082,787	5,087,787	1.91
2008	22,347,867	11,393,624	10,954,243	2,415,000	4,030,454	6,445,454	1.70	2,415,000	4,030,454	6,445,454	1.70
2009	22,643,270	11,771,291	10,871,979	2,620,000	3,820,044	6,440,044	1.69	2,620,000	3,820,044	6,440,044	1.69
2010	22,472,096	11,664,594	10,807,502	2,695,000	3,731,444	6,426,444	1.68	2,695,000	3,731,444	6,426,444	1.68
2011	23,546,370	12,543,964	11,002,406	2,785,000	3,607,044	6,392,044	1.72	2,865,000	3,647,609	6,512,609	1.69
2012	24,763,975	12,378,673	12,385,302	2,880,000	3,504,194	6,384,194	1.94	3,137,858	3,655,156	6,793,014	1.82
2013	24,988,276	12,522,160	12,466,116	3,120,000	2,785,825	5,905,825	2.11	3,487,906	3,089,698	6,577,604	1.90
2014	27,049,162	13,337,986	13,711,176	3,245,000	2,638,600	5,883,600	2.33	4,053,916	3,077,999	7,131,915	1.92
2015	28,026,866	13,541,561	14,485,305	2,710,000	2,544,000	5,254,000	2.76	3,747,284	3,114,518	6,861,802	2.11
2016	29,026,441	14,019,060	15,007,381	3,470,000	2,219,023	5,689,023	2.64	4,562,314	2,847,530	7,409,843	2.03

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

Schedule 3

Operating Expenses

Years ended August 31, 2016 and 2015

	2016	2015
Plant, pumping and treatment:		
Theresa Street Treatment Plant:		
Supervision and management	\$ 306,553	\$ 247,235
Administrative and support staff	86,498	69,294
Training and education	49,694	27,427
Data management	322,847	267,145
General operations	1,345,517	1,351,288
Treatment and process control	707,029	758,499
Solids processing	1,272,379	1,206,839
Structures maintenance	235,665	262,629
Process equipment maintenance	622,616	515,952
Control system maintenance	201,181	252,699
Electrical maintenance	107,005	99,823
Grounds maintenance	116,416	57,270
Depreciation of structure and improvement	1,398,792	1,396,834
Depreciation of treatment equipment	1,862,538	1,678,567
Depreciation of shop and lab equipment	2,067	1,923
Depreciation of office/communications equipment	63,460	45,295
Total Theresa Street Treatment Plant	\$ 8,700,257	\$ 8,238,719
Northeast Treatment Plant:		
Supervision and management	\$ 85,039	\$ 78,617
Administrative and support staff	24,809	20,874
Training and education	10,379	9,781
Data management	80,921	69,484
General operations	517,164	530,909
Treatment and process control	174,325	182,758
Solids processing	357,804	277,887
Structures maintenance	85,036	75,042
Process equipment maintenance	177,034	180,404
Control system maintenance	102,324	89,354
Electrical maintenance	72,846	51,490
Grounds maintenance	63,178	55,668
Depreciation of structures and improvements	432,146	432,146
Depreciation of treatment system	572,591	609,260
Depreciation of injection system	40,755	43,126
Depreciation of shop and laboratory equipment	6,231	6,642
Depreciation of office/communications equipment	2,414	795
Total Northeast Treatment Plant	\$ 2,804,996	\$ 2,714,237

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

Schedule 3, Cont.

Operating Expenses, Continued

Years ended August 31, 2016 and 2015

	2016	2015
Liftstations:		
General operations	\$ 83,763	\$ 86,128
Structures maintenance	20,230	46,477
Process equipment maintenance	49,215	32,487
Control system maintenance	26,363	14,708
Electrical maintenance	9,512	4,323
Grounds maintenance	5,384	1,831
Depreciation of liftstations	227,477	81,393
Total liftstations	421,944	267,347
Total plant, pumping and treatment	\$ 11,927,197	\$ 11,220,303
Operation and maintenance of wastewater lines:		
Supervision and management	\$ 335,192	\$ 332,217
Administrative and support staff	56,936	53,490
Training and education	74,127	51,956
Data management	97,387	97,575
General operations	220,072	283,610
Structures maintenance	13,485	12,189
Main repair/maintenance	154,247	146,233
Manhole repair/rehabilitation	164,458	143,781
Customer service	499,166	478,514
Cleaning maintenance	1,030,757	973,363
Field operations	304,019	260,457
Depreciation of treatment equipment	96,867	103,519
Depreciation of meters	247,473	227,533
Depreciation of shop and lab equipment	2,474	4,682
Depreciation of collection system	3,171,812	3,113,650
Total operation and maintenance of wastewater lines	\$ 6,468,472	\$ 6,282,769
Sanitary engineering services:		
Supervision and management	\$ 389,092	\$ 361,204
Administrative and support staff	61,371	62,066
Training and education	10,727	7,722
Data management	299,003	265,307
General operations	62,116	79,736
Laboratory operations	584,927	673,109
Field operations	568,586	554,285
Depreciation of structures and improvements	16,083	16,083
Depreciation of treatment equipment	5,026	4,388
Depreciation of office/communications equipment	2,666	2,666
Depreciation of shop and laboratory equipment	26,949	33,929
Total sanitary engineering services	\$ 2,026,546	\$ 2,060,495

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

Schedule 3, Cont.

Operating Expenses, Continued

Years ended August 31, 2016 and 2015

	2016	2015
Accounting and collecting:		
Supervision and management	\$ 215,430	\$ 197,900
Administrative and support staff	11,142	6,076
Meter reading	133,758	122,500
Billing and accounting	243,965	260,677
Collections	120,087	103,221
Customer services and billing	67,488	70,785
Customer contracts and orders	37,454	34,911
Depreciation of general plant	1,192	4,767
Total accounting and collecting	\$ 830,516	\$ 800,837
Administrative and general:		
Supervision and management	\$ 940,836	\$ 995,388
Administrative and support staff	132,018	122,682
Delivery service	33,258	30,208
Depreciation of office/communications equipment	11,364	11,949
Total administrative and general	\$ 1,117,476	\$ 1,160,227

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

Schedule 4

Utility Plant in Service

August 31, 2016 and 2015

Asset Class	Capital Assets			Accumulated Depreciation			Net Capital Assets		
	August 31, 2015	Increases	Decreases	August 31, 2016	August 31, 2015	Increases	Decreases	August 31, 2016	August 31, 2016
Theresa Street Plant:									
Structures and improvements	\$ 60,716,847	\$ 28,163	\$ -	\$ 60,745,010	\$ (21,309,651)	\$ (1,388,962)	\$ -	\$ (22,698,613)	\$ 38,046,397
Line equipment	205,211	-	-	205,211	(114,148)	(36,857)	-	(151,005)	54,206
Treatment equipment	45,021,211	175,818	-	45,197,029	(23,381,423)	(1,935,376)	-	(25,316,799)	19,880,230
Collection system	220,806,870	4,985,315	-	225,792,185	(59,127,495)	(3,195,288)	-	(62,322,783)	163,469,402
Lift stations/force mains	9,420,637	135,144	-	9,555,781	(659,238)	(222,113)	-	(881,351)	8,674,430
Environmental equipment	376,508	-	-	376,508	(349,455)	(4,297)	-	(353,752)	22,756
Office furniture and equipment	451,141	80,746	-	531,887	(402,209)	(20,710)	-	(422,919)	108,968
Shop equipment	121,649	-	-	121,649	(114,706)	(777)	-	(115,483)	6,166
Communications system	520,448	217,535	-	737,983	(385,135)	(56,780)	-	(441,915)	296,068
Laboratory equipment	674,352	-	-	674,352	(554,397)	(26,417)	-	(580,814)	93,538
Meters	4,755,370	342,283	-	5,097,653	(2,746,283)	(248,665)	-	(2,994,948)	2,102,705
Theresa Street depreciable assets	343,070,244	5,965,004	-	349,035,248	(109,144,140)	(7,136,242)	-	(116,280,382)	232,754,866
Land and land rights	4,801,102	51,156	-	4,852,258	-	-	-	-	4,852,258
Theresa Street nondepreciable assets	4,801,102	51,156	-	4,852,258	-	-	-	-	4,852,258
Total Theresa Street Plant	347,871,346	6,016,160	-	353,887,506	(109,144,140)	(7,136,242)	-	(116,280,382)	237,607,124
Northeast Plant:									
Structures and improvements	\$ 19,332,476	\$ -	\$ -	\$ 19,332,476	\$ (9,349,637)	\$ (435,587)	\$ -	\$ (9,785,224)	\$ 9,547,252
Treatment equipment	21,287,844	396,914	-	21,684,758	(6,005,704)	(527,984)	-	(6,533,688)	15,151,070
Office furniture and equipment	11,413	-	-	11,413	(8,831)	(648)	-	(9,479)	1,934
Shop and work equipment	150,302	-	-	150,302	(112,784)	(6,231)	-	(119,015)	31,287
Communications system	8,827	-	-	8,827	(147)	(1,765)	-	(1,912)	6,915
Injection system	658,907	-	-	658,907	(447,439)	(10,083)	-	(457,522)	201,385
Pond and liner	520,132	-	-	520,132	(505,665)	(14,467)	-	(520,132)	-
Sludge injection equipment	79,663	-	-	79,663	(66,497)	(6,034)	-	(72,531)	7,132
Lift stations/force mains	-	-	-	-	1,685	-	-	1,685	1,685
Transmission/work equipment	1,125,400	-	-	1,125,400	(363,729)	(51,336)	-	(415,065)	710,335
Northeast depreciable assets	43,174,964	396,914	-	43,571,878	(16,858,748)	(1,054,135)	-	(17,912,883)	25,658,995
Land and land rights	2,061,042	-	-	2,061,042	-	-	-	-	2,061,042
Northeast nondepreciable assets	2,061,042	-	-	2,061,042	-	-	-	-	2,061,042
Total Northeast Plant	45,236,006	396,914	-	45,632,920	(16,858,748)	(1,054,135)	-	(17,912,883)	27,720,037
Vehicles and work equipment (all locations)	2,906,623	101,472	(16,454)	2,991,641	(1,960,369)	(160,769)	13,540	(2,107,598)	884,043
Utility plant in service	\$ 396,013,975	\$ 6,514,546	\$ (16,454)	\$ 402,512,067	\$ (127,963,257)	\$ (8,351,146)	\$ 13,540	\$ (136,300,863)	\$ 266,211,204
Construction in progress	1,479,918	5,264,153	(3,612,530)	3,131,541	-	-	-	-	3,131,541
Total capital assets	\$ 397,493,893	\$ 11,778,699	\$ (3,628,984)	\$ 405,643,608	\$ (127,963,257)	\$ (8,351,146)	\$ 13,540	\$ (136,300,863)	\$ 269,342,745

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

GENERAL STATISTICS

Year Ended August 31, 2016

(Unaudited)

Altitude of Lincoln, Nebraska.....	1,167 Feet
Area of Lincoln, Nebraska	94.90 Square Miles
Population.....	277,348 Estimate
Total Miles of Wastewater Mains & Collector Lines in Use:	
Miles in use September 1, 2015	1,043.9
Estimated Added During Year	26.02
Estimated Removed During Year	—
Total as of August 31, 2016	1,069.92 Miles
Number of Wastewater Lift (Pumping) Stations:	15
Number of Stormwater Pumping Stations:	4
Plant Capacity:	
Theresa Street Treatment Facility	27.4 million gallons per day
Northeast Treatment Facility	10.0 million gallons per day
Average Daily Flow:	
Theresa Street Treatment Facility	26.64 million gallons per day
Northeast Treatment Facility	2.89 million gallons per day
Total Number of Active Residential Wastewater Customers	
End of Fiscal Year.....	78,129
Total Number of Active Non-Residential Wastewater Customers	
End of Fiscal Year.....	4,382
Total Debt of Lincoln Wastewater System as of August 31, 2016	\$78,959,514

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

TOP TEN CUSTOMERS

Year Ended August 31, 2016

(Unaudited)

	<u>USAGE</u> (HCF)	<u>AMOUNT</u>
1. University of Nebraska	375,386	\$797,640
2. State of Nebraska	272,053	543,338
3. Archer-Daniels Midland Company	163,227	329,990
4. University of Nebraska Foundation	114,253	228,518
5. Lincoln Industries	112,886	229,581
6. Bryan Health	101,565	210,514
7. Lincoln Public Schools	91,675	226,466
8. Lincoln Housing Authority	85,817	218,124
9. Kawasaki Motors	67,055	136,072
10. City of Lincoln	66,501	160,483
Top Ten User Totals	1,450,418	\$3,080,726

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

Summary of Insurance Coverage

August 31, 2016

(Unaudited)

Type of policy	Insurance coverage	Policy limits	Self-insured retention deductible	Department Self-insurance deductible	Insurance carrier	Policy number
Automobile Fleet Liability	Self-Insured Excess Coverage Excess Coverage	0 - 250,000 250,000 - 1,000,000 1,000,000 - 6,000,000	250,000		States	SEL3017308
Automobile Fleet Physical Damage**	Self-Insured	Actual cash value	2,500	2,500	None	
Building and Contents (includes Boiler & Machinery)	Blanket policy - buildings and contents	Replacement cost	50,000	2,500	FM Global	FN215
Money and Securities	Inside/outside premises	3,000,000	25,000	10,000	Hartford Fire	83FA029203115
Data Processing Equipment	Computer equipment, data and media	Replacement cost	50,000	2,500	FM Global	FN215
Equipment Floater (NON-LIC)	Non-licensed scheduled equipment	Actual Cash Value	50,000	2,500	FM Global	FN215
Equipment Floater (Sanitary)	Inspection scheduled equipment	Replacement cost	50,000	2,500	FM Global	FN215
General Liability ***	\$6,000,000 occurrence / \$12,000,000 annual aggregate	6,000,000	250,000	0	States	SEL3017308
Public Employee Blanket Bond	Employees blanket bond coverage	3,000,000	25,000	10,000	Hartford Fire	83FA029203115
Public Officials Liability***	\$6,000,000 occurrence / \$12,000,000 annual aggregate	6,000,000	250,000	0	States	SEL3017308
Workers' Compensation Excess	Statutory	Statutory	800,000	0	Midwest Employers Casualty (MECC)	EWC007744

** Self-insured for both comp & collision.

*** Public Entity Policy

LINCOLN WASTEWATER 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, nonlicensed equipment, recycling containers and sanitary sewer equipment.

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.