

Lincoln Wastewater System 2018

Financial Statements
& Schedules

Fiscal Year Ended
August 31, 2018



ANNUAL FINANCIAL REPORT

DEPARTMENT OF PUBLIC WORKS & UTILITIES

CITY OFFICIALS

Chris Beutler Mayor

COUNCIL MEMBERS

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Cyndi LammVice-Chair

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WASTEWATER SYSTEM

Miki Esposito Director of Public Works & Utilities

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Lincoln Wastewater System

August 31, 2018 and 2017

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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

Report on the Financial Statements

We have audited the accompanying financial statements of the Lincoln Wastewater System, an Enterprise Fund of the City of Lincoln, Nebraska (the System), as of and for the years ended August 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the System's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System, as of August 31, 2018 and 2017, 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 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, 2018 and 2017, 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.

As discussed in Note 8 to the financial statements, the System adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which restated beginning net position of the financial statements to record the total OPEB liability. Our opinion is not modified with respect to this matter.

Other Matters***Required Supplementary Information***

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information, as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as presented in the table of contents, is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

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

RSM VS LLP

Omaha, Nebraska
February 14, 2019

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, 2018 and 2017. 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 \$11,098,006 in 2018 over 2017 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, 2018, 2017, and 2016.

Table 1

Condensed Net Position Information

	August 31		Change	
	2018 Restated	2017 Not Restated	Dollars	Percent
Current assets	\$ 23,199,812	\$ 20,650,345	\$2,549,467	12.35%
Capital assets	279,391,562	272,439,877	6,951,685	2.55%
Noncurrent assets	12,050,226	13,471,522	(1,421,296)	(10.55%)
Deferred outflows of resources	764,184	562,296	201,888	35.90%
Total assets and deferred outflows or resources	315,405,784	307,124,040	8,281,744	2.70%
Current liabilities	9,377,238	7,298,006	2,079,232	28.49%
Long-term liabilities	68,512,459	73,232,888	(4,720,429)	(6.45%)
Deferred Inflows	27,614	-	27,614	100.00%
Total liabilities and deferred inflows of resources	77,917,311	80,530,894	(2,613,583)	(3.28%)
Net position				
Net investment in capital assets	205,511,398	195,065,715	10,445,683	5.35%
Restricted for debt service	6,458,727	6,662,513	(203,786)	(3.06%)
Restricted for capital acquisition	970,475	768,145	202,330	26.34%
Unrestricted	24,547,873	24,096,773	451,100	1.87%
Total net position	237,488,473	226,593,146	10,895,327	4.81%
Total liabilities and net position	\$315,405,784	\$307,124,040	8,281,744	2.69%

Financial Highlights – Fiscal Year 2018

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented during fiscal year 2018. The beginning net position for the System was restated (\$202,679) to retroactively report the total other postemployment benefits (OPEB) liability as of September 1, 2017. The financial statement amounts for fiscal year 2017 OPEB obligation, OPEB expense, deferred outflows of resources and deferred inflows of resources were not restated because information was not available.
- Current Assets increased primarily due to increases in cash balances. Capital Assets increased in part due to construction of select main replacements.
- Current liabilities increased primarily due to construction contracts due as of the end of the fiscal year.
- Restricted for capital acquisition increased due to an increase in development in the City of Lincoln Nebraska.

Table 2

Condensed Net Position Information

	August 31		Change	
	2017	2016	Dollars	Percent
Current assets	\$ 20,650,345	\$ 19,391,856	\$1,258,489	6.49%
Capital assets	272,439,877	269,342,745	3,097,132	1.15%
Noncurrent assets	13,471,522	13,879,198	(407,676)	(2.94%)
Deferred outflows of resources	562,296	616,005	(53,709)	(8.72%)
Total assets and deferred outflows or resources	307,124,040	303,229,804	3,894,236	1.28%
Current liabilities	7,298,006	7,562,269	(264,263)	(3.49%)
Long-term liabilities	73,232,888	78,265,122	(5,032,234)	(6.43%)
Total liabilities	80,530,894	85,827,391	(5,296,497)	(6.17%)
Net position				
Net investment in capital assets	195,065,715	186,877,119	8,188,596	4.38%
Restricted for debt service	6,662,513	6,624,640	37,873	0.57%
Restricted for capital acquisition	768,145	791,730	(23,585)	(2.98%)
Unrestricted	24,096,773	23,108,924	987,849	4.27%
Total net position	226,593,146	217,402,413	9,190,733	4.23%
Total liabilities and net position	\$307,124,040	\$303,229,804	3,894,236	1.28%

Financial Highlights – Fiscal Year 2017

- Long term liabilities decreased primarily due to debt service payments made during the year. No new debt was issued in the fiscal year.
- Capital assets increased primarily due to work on the Stevens Creek Basin Trunk Sewer.

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

	August 31		Change	
	2018 Restated	2017 Not Restated	Dollars	Percent
Operating revenues	\$31,409,050	\$29,599,243	\$1,809,807	6.11%
Nonoperating revenues				
Investment income	155,416	191,451	(36,035)	(18.82%)
Total nonoperating revenues	155,416	191,451	(36,035)	(18.82%)
Total Revenues	31,564,466	29,790,694	1,773,772	5.95%
Operating expenses				
Plant, pumping and treatment	13,126,209	12,797,574	328,635	2.57%
Operation and maintenance of wastewater lines	6,937,469	6,743,092	194,377	2.88%
Sanitary engineering services	1,692,971	1,707,081	(14,110)	(0.83%)
Accounting and collecting	846,844	841,036	5,808	0.69%
Administrative and general	1,074,917	1,223,107	(148,190)	(12.12%)
Total operating expenses	23,678,410	23,311,890	366,520	1.57%
Nonoperating expenses				
Interest and amortization expense	2,019,050	2,275,842	(256,792)	(11.28%)
Net costs recoverable	51,107	49,512	1,595	3.22%
Total nonoperating expenses	2,070,157	2,325,354	(255,197)	(10.97%)
Total Expenses	25,748,567	25,637,244	111,323	0.43%
Income before contributions	5,815,899	4,153,450	1,662,449	40.03%
Capital contributions	5,282,107	5,037,283	244,824	4.86%
Change in net position	\$11,098,006	\$ 9,190,733	\$1,907,273	20.75%

Financial Highlights – Fiscal Year 2018

- Wastewater revenue increased primarily due to a 5% revenue increase implemented November 2017 and applied solely to the service charge.
- Total operating expenses increased primarily due to increased plant, pumping and treatment costs, including depreciation and maintenance.

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

	August 31		Change	
	2017	2016	Dollars	Percent
Operating revenues	\$29,599,243	\$27,986,580	\$1,612,663	5.76%
Nonoperating revenues				
Investment income	191,451	345,697	(154,246)	(44.62%)
FEMA reimbursement	-	27,347	(27,347)	100.00%
Total nonoperating revenues	191,451	373,044	(181,593)	(48.68%)
Total Revenues	29,790,694	28,359,624	1,431,070	5.05%
Operating expenses				
Plant, pumping and treatment	12,797,574	11,927,197	870,377	7.30%
Operation and maintenance of wastewater lines	6,743,092	6,468,472	274,620	4.25%
Sanitary engineering services	1,707,081	2,026,546	(319,465)	(15.76%)
Accounting and collecting	841,036	830,516	10,520	1.27%
Administrative and general	1,223,107	1,117,476	105,631	9.45%
Total operating expenses	23,311,890	22,370,207	941,683	4.21%
Nonoperating expenses				
Interest and amortization expense	2,275,842	2,432,373	(156,531)	(6.44%)
Net costs recoverable	49,512	49,512	-	0.00%
Total nonoperating expenses	2,325,354	2,481,885	(156,531)	(6.31%)
Total Expenses	25,637,244	24,852,092	785,152	3.16%
Income before contributions and transfers	4,153,450	3,507,532	645,918	18.42%
Capital contributions	5,037,283	3,023,625	2,013,658	66.60%
Transfers out	-	(55,994)	55,994	100.00%
Change in net position	\$ 9,190,733	\$ 6,475,163	\$2,715,570	41.94%

Financial Highlights – Fiscal Year 2017

- Wastewater revenue increased primarily due to a 5% revenue increase implemented November 2016 and applied solely to the service charge.
- Total operating expenses increased primarily due to increased plant, pumping and treatment cost, including depreciation and maintenance.

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 debt is restricted.

In September 2017, the System issued \$13,235,000 of Sanitary Sewer Refunding Bonds and an average interest rate of 2.21% to refund \$14,730,000 of Wastewater Revenue Bonds, Series 2007, with interest rates ranging from 4.0% to 4.5%. The System completed the advance refunding to reduce its total debt service payments over the next 15 years by \$2,688,002 for an economic gain (difference between the present values of the old and new debt service payments) of \$2,265,951.

Capital Asset Activity

The System's investment in capital assets as of August 31, 2018 amounts to \$279,391,562 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment. Major capital asset events during 2018 include select main replacements for approximately \$2.2 million. Additional information regarding capital assets can be found in the Notes to Financial Statements, Note 3, 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 AAA (MBIA Insured) and AA+ (Underlying). The credit rating issued by Moody's Rating Services is Aaa (MBIA Insured) and Aa2 (Underlying). Additional information regarding debt can be found in the Notes to Financial Statements, Note 4, of this report.

Commitments and Contingencies

The System has commitments under major construction contracts in progress of approximately \$20,285,000 at August 31, 2018 to be paid with revenue and bond proceeds.

Forward-Looking Information

The approved Capital Improvement Program for Fiscal Year 2018/19 - 2023/24 identifies the need for \$118,926,000 to fund capital improvements for the System. A portion of that total is projected to be funded by revenue bonds. Future user fee increases will be necessary to make the needed improvements possible.

In August 2018, the Lincoln City Council approved a 5% revenue increase in Fiscal Years 2019 and 2020. This will be attained through increases in the usage rates and service charges.

Contact Information

This financial report is intended to provide users a general overview of the System's financial performance for 2018 and 2017. 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, 2018 and 2017

Assets and Deferred Outflows of Resources	2018	2017
Current assets:		
Equity in pooled cash and investments	\$ 16,755,651	\$ 14,643,679
Receivables:		
Accounts receivable	2,269,864	2,186,254
Unbilled revenues	3,110,775	2,954,992
Due from other funds	45,836	-
Total receivables	5,426,475	5,141,246
Inventories	47,211	97,275
Total current assets	22,229,337	19,882,200
Noncurrent assets:		
Equity in pooled cash and investments	4,096,763	5,131,986
Restricted assets:		
Equity in pooled cash and investments	2,015,686	3,364,128
Investments	5,349,187	4,377,535
Impact fees receivable	970,475	768,145
Total restricted assets	8,335,348	8,509,808
Utility plant:		
Non-depreciable	14,637,724	9,806,537
Depreciable	418,403,437	407,498,434
Less accumulated depreciation	(153,649,599)	(144,865,094)
Net utility plant	279,391,562	272,439,877
Costs recoverable from future billings	588,590	597,873
Total noncurrent assets	292,412,263	286,679,544
Total assets	314,641,600	306,561,744
Deferred outflows of resources:		
Deferred loss on refunding	732,627	562,296
Deferred outflow for OPEB	31,557	-
Total Deferred Outflows	764,184	562,296
Total assets and deferred outflows of resources	\$ 315,405,784	\$ 307,124,040
Liabilities, Deferred Inflows of Resources, and Net Position		
Current liabilities:		
Accounts payable	\$ 679,131	\$ 359,959
Accrued liabilities	553,264	514,490
Deposits liability	32,149	21,149
Accrued compensated absences	402,869	404,286
Construction contracts	2,404,584	663,343
Current maturities of long-term debt	4,858,054	4,839,601
Accrued interest	447,187	495,178
Total current liabilities	9,377,238	7,298,006
Long-term liabilities:		
Accrued liabilities	643,529	347,043
Accrued compensated absences	518,777	452,331
Long-term debt, excluding current maturities, net of premiums	67,350,153	72,433,514
Total long-term liabilities	68,512,459	73,232,888
Total liabilities	77,889,697	80,530,894
Deferred Inflows of Resources		
Deferred Inflow for OPEB	27,614	-
Total Deferred Inflow of Resources	27,614	-
Net position:		
Net investment in capital assets	205,511,398	195,065,715
Restricted for debt service	6,458,727	6,662,513
Restricted for capital acquisition	970,475	768,145
Unrestricted	24,547,873	24,096,773
Total net position	237,488,473	226,593,146
Total liabilities, deferred inflows of resources, and net position	\$ 315,405,784	\$ 307,124,040

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, 2018 and 2017

	2018	2017
Operating revenues	\$ 31,409,050	\$ 29,599,243
Operating expenses:		
Plant, pumping and treatment	13,126,209	12,797,574
Operation and maintenance of wastewater lines	6,937,469	6,743,092
Sanitary engineering services	1,692,971	1,707,081
Accounting and collecting	846,844	841,036
Administrative and general	1,074,917	1,223,107
Total operating expenses	23,678,410	23,311,890
Operating income	7,730,640	6,287,353
Nonoperating revenues (expenses):		
Investment income	155,416	191,451
Interest and amortization expense	(2,019,050)	(2,275,842)
Net costs recoverable	(51,107)	(49,512)
Net nonoperating expenses	(1,914,741)	(2,133,903)
Increase in net position before capital contributions	5,815,899	4,153,450
Capital contributions from:		
Developers	4,465,261	4,311,872
Tap fees	35,138	30,080
Impact Fees	781,708	695,331
Total capital contributions	5,282,107	5,037,283
Increase in net position	11,098,006	9,190,733
Total net position - beginning, as restated	226,390,467	217,402,413
Total net position - ending	\$ 237,488,473	\$ 226,593,146

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, 2018 and 2017

	2018	2017
Operating activities:		
Receipts from customers and users	\$ 31,117,094	\$ 29,443,648
Payments to suppliers	(6,123,270)	(6,821,323)
Payments to employees	(8,315,815)	(8,037,681)
Net cash provided by operating activities	16,678,009	14,584,644
Noncapital financing activities:		
Increase in due from other funds	(45,836)	-
Net cash (used in) noncapital financing activities	(45,836)	-
Capital and related financing activities:		
Acquisition and construction of capital assets	(8,743,526)	(6,651,766)
Principal paid on revenue bonds	(3,465,000)	(3,650,000)
System Funds Used for Bond Refunding	(383,001)	-
Interest paid on long term debt	(2,361,501)	(2,619,979)
Repayments on NDEQ loan	(1,134,602)	(1,111,636)
Net cash used in capital and related financing activities	(16,087,630)	(14,033,381)
Investing activities:		
Purchases of investments	(16,927,387)	(20,155,469)
Proceeds from investment maturities	16,214,633	19,281,753
Interest on investments	359,843	237,878
Net cash (used in) investing activities	(352,911)	(635,838)
Net increase (decrease) in cash and cash equivalents	191,632	(84,575)
Cash and cash equivalents at beginning of year	833,519	918,094
Cash and cash equivalents at end of year	\$ 1,025,151	\$ 833,519
Composition of equity in pooled cash and investments (current)		
Cash and cash equivalents	\$ 1,025,151	\$ 833,519
Investments	17,746,186	17,174,288
Total equity in pooled cash and investments (current)	\$ 18,771,337	\$ 18,007,807
Reconciliation of net operating income to net cash provided by operating activities:		
Operating income	\$ 7,730,640	\$ 6,287,353
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	8,815,189	8,585,690
Changes in operating assets and liabilities:		
Accounts receivable	(441,723)	(168,095)
Inventories	50,064	10,484
Accounts payable	319,172	(95,702)
Accrued liabilities and deposit liability	143,581	(93,588)
Deferred Outflows	(31,557)	-
Deferred Inflows	27,614	-
Accrued compensated absences	65,029	58,502
Total adjustments	8,947,369	8,297,291
Net cash provided by operating activities	\$ 16,678,009	\$ 14,584,644

Supplemental disclosure of noncash transactions:

Contributed capital improvements of \$4,465,261 and \$4,311,872 were added to utility plant in 2018 and 2017 respectively.

Accounts payable incurred for utility plant purchases were \$2,404,584 and \$663,243 in 2018 and 2017, 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, 2018 and 2017

(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, 2018 and 2017, 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, 2018 and 2017

(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, 2018 or 2017.

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. The System impact fees can pay for wastewater treatment and wastewater lines 10-inches and larger.

Utility Plant (Capital Assets)

Cost of additions and replacements to utility plant are capitalized. Cost includes labor, materials, payments to contractors, and equipment use. Long-term construction contracts that are entered into with developers to expand the distribution system and structure are capitalized at cost over the term of construction, with the related liability classified between current and long-term based upon the anticipated expense appropriation or collection of directed impact fees. Contributed assets are capitalized at their acquisition value at the date of contribution. The cost of property retired, together with removal cost, less salvage, is charged to accumulated depreciation at such time as property is removed from service, except for land, on which gain or loss is recognized upon disposition. Expenses for maintenance and repairs are charged to current expenses. Items with a cost greater than \$5,000 are capitalized. Items less than \$5,000 may be capitalized if they belong to a larger asset or if documentation is received stating that significant additions will be made to the item in the near future. The System adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, as a result no interest costs were capitalized in the current fiscal year. Interest cost of \$99,395 was capitalized during fiscal year 2017.

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, 2018 and 2017

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

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2018 and 2017

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

Capital Contributions

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

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

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

Unamortized Premium on Revenue Bonds

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

Inventories

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

Deferred Outflow of Resources

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

Deferred Inflow of Resources

Deferred inflows for Other Postemployment Benefits (OPEB) include OPEB related amounts not yet recognized against OPEB expense.

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2018 and 2017

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

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, 2018 and 2017, respectively:

	<u>August 31, 2018</u>	<u>August 31, 2017</u>
<u>Water Usage</u>	\$1.859	\$1.859
<u>Service Charge</u>		
5/8 inch	\$ 3.32	\$ 2.80
3/4 inch	6.44	5.42
1 inch	11.46	9.65
1 ½ inch	22.72	19.14
2 inch	36.39	30.65
3 inch	68.35	57.57
4 inch	113.99	96.02
6 inch	227.79	191.87
8 inch	364.50	307.03
10 inch	524.14	441.50

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

Costs Recoverable from Future Billings

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

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.

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2018 and 2017

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

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

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

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

Compensated Absences

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

Compensated absences of the System at August 31, 2018 and 2017 are summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
August 31, 2018	\$856,617	469,315	404,286	921,646	402,869
August 31, 2017	\$798,115	457,246	398,744	856,617	404,286

Use of Estimates

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

Reclassification

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

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2018 and 2017

(2) Deposits, Investments, and Investment Return

Deposits

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

Investments

The City may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. Government Sponsored agencies and instrumentalities and in bank repurchase agreements. It may also invest to 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: 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, 2018 and 2017

(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, 2018 and 2017, the System had the following investments and maturities:

Type	August 31, 2018				Fair Value Measurement
	Fair Value	Maturities in Years Less than 1	1 - 5	6 - 10	
U.S. Government Sponsored Agencies	\$5,349,187	\$0	\$4,226,500	\$1,122,687	Level 2

Type	August 31, 2017				Fair Value Measurement
	Fair Value	Maturities in Years Less than 1	1 - 5	6 - 10	
U.S. Government Sponsored Agencies	\$4,377,535	\$0	\$4,377,535	\$0	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, 2018 and 2017, 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, 2018 and 2017

(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:

	2018	2017
U.S. Government Agency Obligations		
Federal Home Loan Bank	15.1%	16.0%

The carrying amount of equity interests in pooled cash and investments at August 31, 2018 and 2017, are:

	2018	2017
Equity in pooled cash and investments	\$22,868,100	\$23,139,793
Percentage of City's Pool	6.0%	6.4%

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, 2018 and 2017, consisted of:

	2018	2017
Interest and dividend income	\$359,843	\$278,467
Net change in fair value of investments	(204,427)	(87,016)
	<u>\$155,416</u>	<u>\$191,451</u>

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

Notes to Financial Statements

August 31, 2018 and 2017

(3) Utility Plant

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

Asset Class	Capital Assets			Accumulated Depreciation				Net Capital Assets	
	August 31, 2017	Increases	Decreases	August 31, 2018	August 31, 2017	Increases	Decreases	August 31, 2018	August 31, 2018
Structures and improvements	\$ 80,785,913	\$ 744,545	\$ -	\$ 81,530,458	\$ (34,305,535)	\$ (1,837,021)	\$ -	\$ (36,142,556)	\$ 45,387,902
Line equipment	205,211	-	-	205,211	(174,631)	(12,094)	-	(186,725)	18,486
Treatment equipment	69,736,456	208,682	-	69,945,138	(34,475,571)	(2,658,656)	-	(37,134,227)	32,810,911
Collection system	233,341,292	7,517,932	-	240,859,224	(65,586,899)	(3,341,399)	-	(68,928,298)	171,930,926
Lift stations/force mains	9,671,025	22,828	-	9,693,853	(1,103,631)	(223,713)	-	(1,327,344)	8,366,509
Environmental equipment	376,508	14,553	-	391,061	(357,738)	(3,006)	-	(360,744)	30,317
Office furniture and equipment	543,300	-	-	543,300	(461,356)	(17,550)	-	(478,906)	64,394
Shop equipment	277,949	-	-	277,949	(241,351)	(7,424)	-	(248,775)	29,174
Communications system	748,434	1,390,700	-	2,139,134	(505,176)	(135,435)	-	(640,611)	1,498,523
Laboratory equipment	691,662	176,970	-	868,632	(603,975)	(37,024)	-	(640,999)	227,633
Injection system	658,907	-	-	658,907	(467,605)	(10,083)	-	(477,688)	181,219
Pond and liner	520,132	-	-	520,132	(520,132)	-	-	(520,132)	-
Sludge injection equipment	79,663	-	-	79,663	(77,365)	(2,298)	-	(79,663)	-
Transmission/work equipment	1,125,400	-	-	1,125,400	(466,401)	(51,336)	-	(517,737)	607,663
Meters	5,613,493	511,529	-	6,125,022	(3,264,049)	(284,785)	-	(3,548,834)	2,576,188
Vehicles	3,123,089	353,080	(35,816)	3,440,353	(2,253,679)	(193,365)	30,684	(2,416,360)	1,023,993
Total depreciable assets	407,498,434	10,940,819	(35,816)	418,403,437	(144,865,094)	(8,815,189)	30,684	(153,649,599)	264,753,838
Land and land rights	6,999,631	27	(4,022)	6,995,636	-	-	-	-	6,995,636
Construction in progress	2,806,906	10,546,788	(5,711,606)	7,642,088	-	-	-	-	7,642,088
Total nondepreciable assets	9,806,537	10,546,815	(5,715,628)	14,637,724	-	-	-	-	14,637,724
Total capital assets	\$ 417,304,971	\$ 21,487,634	\$ (5,751,444)	\$ 433,041,161	\$ (144,865,094)	\$ (8,815,189)	\$ 30,684	\$ (153,649,599)	\$ 279,391,562

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

The composite depreciation rate was approximately 2.10% in 2018.

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

Notes to Financial Statements

August 31, 2018 and 2017

(3) Utility Plant

Utility plant is summarized by major classification at August 31, 2017 as follows:

Asset Class	Capital Assets			Accumulated Depreciation				Net Capital Assets	
	August 31, 2016	Increases	Decreases	August 31, 2017	August 31, 2016	Increases	Decreases	August 31, 2017	August 31, 2017
Structures and improvements	\$ 80,077,486	\$ 708,427	\$ -	\$ 80,785,913	\$ (32,483,837)	\$ (1,821,698)	\$ -	\$ (34,305,535)	\$ 46,480,378
Line equipment	205,211	-	-	205,211	(151,005)	(23,626)	-	(174,631)	30,580
Treatment equipment	66,881,787	2,854,669	-	69,736,456	(31,850,487)	(2,625,084)	-	(34,475,571)	35,260,885
Collection system	225,792,185	7,549,107	-	233,341,292	(62,322,783)	(3,264,116)	-	(65,586,899)	167,754,393
Lift stations/force mains	9,555,781	115,244	-	9,671,025	(879,666)	(223,965)	-	(1,103,631)	8,567,394
Environmental equipment	376,508	-	-	376,508	(353,752)	(3,986)	-	(357,738)	18,770
Office furniture and equipment	543,300	-	-	543,300	(432,398)	(28,958)	-	(461,356)	81,944
Shop equipment	271,951	5,998	-	277,949	(234,498)	(6,853)	-	(241,351)	36,598
Communications system	746,810	1,624	-	748,434	(443,827)	(61,349)	-	(505,176)	243,258
Laboratory equipment	674,352	17,310	-	691,662	(580,814)	(23,161)	-	(603,975)	87,687
Injection system	658,907	-	-	658,907	(457,522)	(10,083)	-	(467,605)	191,302
Pond and liner	520,132	-	-	520,132	(520,132)	-	-	(520,132)	-
Sludge injection equipment	79,663	-	-	79,663	(72,531)	(4,834)	-	(77,365)	2,298
Transmission/work equipment	1,125,400	-	-	1,125,400	(415,065)	(51,336)	-	(466,401)	658,999
Meters	5,097,653	515,840	-	5,613,493	(2,994,948)	(269,101)	-	(3,264,049)	2,349,444
Vehicles	2,991,641	156,292	(24,844)	3,123,089	(2,107,598)	(167,540)	21,459	(2,253,679)	869,410
Total depreciable assets	395,598,767	11,924,511	(24,844)	407,498,434	(136,300,863)	(8,585,690)	21,459	(144,865,094)	262,633,340
Land and land rights	6,913,300	86,331	-	6,999,631	-	-	-	-	6,999,631
Construction in progress	3,131,541	6,984,675	(7,309,310)	2,806,906	-	-	-	-	2,806,906
Total nondepreciable assets	10,044,841	7,071,006	(7,309,310)	9,806,537	-	-	-	-	9,806,537
Total capital assets	\$ 405,643,608	\$ 18,995,517	\$ (7,334,154)	\$ 417,304,971	\$ (136,300,863)	\$ (8,585,690)	\$ 21,459	\$ (144,865,094)	\$ 272,439,877

During 2017, the System incurred \$2,449,207 of interest cost. Interest capitalized into construction in progress during 2017 was \$99,395. 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 2.10% in 2017.

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2018 and 2017

(4) Long-term Liabilities

Long-term debt of the System at August 31, 2018 and 2017 is summarized below:

2018

Type of Debt	August 31, 2017	Additions	Reductions	August 31, 2018	Due Within One Year
4.0% - 4.5% Wastewater Revenue Bonds, Series 2007. Refunded in 2017.	\$14,730,000	\$ -	\$14,730,000	\$ -	\$ -
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.	2,500,232	-	170,606	2,329,626	172,826
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.	3,818,469	-	229,470	3,588,999	234,082
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.	14,484,177	-	734,526	13,749,651	751,146
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 through 2028. Redeemable at par on or after June 15, 2022.	27,820,000	-	2,250,000	25,570,000	2,265,000
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 through 2030. Redeemable at par on or after June 15, 2025.	10,845,000	-	735,000	10,110,000	745,000
3.0% - 5.0% Wastewater Revenue Refunding Bonds, Series 2017. Interest due semi-annually on June 15 and December 15. Principal payments due annually on June 15 through 2030. Redeemable at par on or after June 15, 2027.	-	13,235,000	480,000	12,755,000	690,000
Unamortized premium on bonds	3,075,237	1,392,379	362,685	4,104,931	-
	<u>\$77,273,115</u>	<u>14,627,379</u>	<u>\$19,692,286</u>	<u>\$72,208,207</u>	<u>\$4,858,054</u>

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2018 and 2017

(4) Long-term Liabilities (continued)

2017

Type of Debt	August 31, 2016	Additions	Reductions	August 31, 2017	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, 2016 through 2032. Redeemable at par on or after June 15, 2017.	\$15,425,000	\$ -	\$695,000	\$14,730,000	\$720,000
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.	2,668,646	-	168,414	2,500,232	170,605
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.	4,043,417	-	224,948	3,818,469	229,470
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.	15,202,451	-	718,274	14,484,177	734,526
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, 2016 through 2028. Redeemable at par on or after June 15, 2022.	30,055,000	-	2,235,000	27,820,000	2,250,000
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, 2016 through 2030. Redeemable at par on or after June 15, 2025.	11,565,000	-	720,000	10,845,000	735,000
Unamortized premium on bonds	3,353,154	-	277,917	3,075,237	-
	<u>\$82,312,668</u>	<u>-</u>	<u>\$5,039,553</u>	<u>\$77,273,115</u>	<u>\$4,839,601</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, 2018 and 2017

(4) Long-term Liabilities (continued)

Maturities and sinking fund requirements on long-term debt at August 31, 2018, are shown below:

Due years ending August 31	Bonds		Loans		Total
	Principal	Interest	Principal	Interest	
2019	\$ 3,700,000	\$ 1,735,125	\$ 1,158,054	\$ 405,449	\$ 6,998,628
2020	3,785,000	1,647,326	1,182,004	381,498	6,995,828
2021	3,895,000	1,526,975	1,206,464	357,039	6,985,478
2022	4,020,000	1,394,276	1,231,442	332,062	6,977,780
2023	4,165,000	1,241,425	1,256,950	306,552	6,969,927
2024 - 2028	22,820,000	3,572,846	6,686,781	1,130,737	34,210,364
2029 – 2033	6,050,000	381,758	6,436,141	417,727	13,285,626
2034	-	-	510,440	5,742	516,182
Total	\$48,435,000	\$11,499,728	\$19,668,276	\$3,336,806	\$82,939,810

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.

In September 2017, the System issued \$13,235,000 of Sanitary Sewer Refunding Bonds and an average interest rate of 2.21% to refund \$14,730,000 of Wastewater Revenue Bonds, Series 2007, with interest rates ranging from 4.0% to 4.5%. The System completed the advance refunding to reduce its total debt service payments over the next 15 years by \$2,688,002 for an economic gain (difference between the present values of the old and new debt service payments) of \$2,265,951.

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2018 and 2017

(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 \$82,939,810 with annual payments expected to require 40% of net revenues. Principal and interest paid for the current year and net system revenues were \$6,961,103 and \$17,518,091, respectively.

Construction contract payables of the System at August 31, 2018 and 2017 are summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
August 31, 2018	\$663,343	2,404,584	663,343	2,404,584	2,404,584
August 31, 2017	\$768,965	663,343	768,965	663,343	663,343

The System has entered into a lease agreement for financing the acquisition of equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date. The equipment acquired through capital lease had an asset value as of August 31, 2018 of \$150,401 with accumulated depreciation of \$11,569.

Capital Lease Liability:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
August 31, 2018	\$0	161,970	(25,523)	136,447	20,884

(5) Commitments and Contingencies

Construction Commitments:

The System has commitments under major construction contracts in progress of approximately \$20,285,000 at August 31, 2018 to be paid with revenue 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-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 City had no claims or judgments exceeding the policy limits during each of the last three prior years. Budgeted premium amounts charged to the System are placed in the appropriate fund maintained by the Division. Premium expense was approximately \$566,000 and \$553,000 in 2018 and 2017, respectively.

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2018 and 2017

(5) Commitments and Contingencies (continued)

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.

(6) Related Party Transactions

The City billed the System approximately \$456,000 and \$625,000 for administrative services during 2018 and 2017, 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 \$949,000 and \$1,005,000 during 2018 and 2017 respectively. At August 31, 2018 and 2017, approximately \$102,000 and \$90,000, respectively are included in accounts payable for amounts owed to LES for electricity used.

A special revenue fund of the City collects and holds impact fees until they are distributed in accordance with City ordinance. The System was due impact fees of \$970,475 and \$768,145 as of August 31, 2018 and 2017, 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 \$45,836 as of August 31, 2018. This amount is reflected as a current asset and is included in Due from Other Funds on the statement of net position.

(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 \$577,000 and \$585,000 for 2018 and 2017, respectively. Contributions made by the plan members were approximately \$276,000 and \$328,000 for 2018 and 2017, respectively. In fiscal year 2018 the system changed the process of how the contributions by plan members is calculated.

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2018 and 2017

(8) Other Postemployment Benefits (OPEB)

In fiscal year 2018, the System adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The net OPEB obligation recorded in accordance with GASB Statement No. 45 was removed, and the total OPEB liability was recorded in accordance with GASB Statement No. 75.

For the year ended August 31, 2018, management determined that the following adjustment was to be made to the beginning net position balance:

	Wastewater System
Net position September 1, 2017, as previously reported	\$226,593,146
Total OPEB liability	(549,722)
Removal of net OPEB obligation	347,043
Net position September 1, 2017, as restated	<u>\$226,390,467</u>

The City offers employees and their families the opportunity to continue their health care coverage when there is a qualifying event, such as retirement, that would result in a loss of coverage under the City's plan. The City's plan is a single-employer defined benefit plan. The System does not sponsor its own OPEB plan, as an enterprise fund of the City, the System is allocated a portion of the City's total OPEB liability, and related deferred inflows of resources and deferred outflows of resources. This allocation is based on the estimated headcount of the employees in the System compared to the total headcount of participants in the plan. As of August 31, 2018, the City's total OPEB liability for the Civilians plan was \$9,131,185, and the System's allocation proportion was 5.78 percent.

The System has recognized a long-term accrued liability for its allocated portion of the City's total OPEB liability of approximately \$528,000 as of August 31, 2018, in connection with GASB Statement No. 75. The System has also recognized a deferred outflow of resources and deferred inflow of resources of approximately \$32,000 and \$28,000, respectively for its allocated portion. The total OPEB liability estimate is based on several key assumptions, such as the discount rate, inflation rate, salary increases, healthcare cost trend rates and mortality assumptions. The complete disclosures required by GASB Statement No. 75, including the key assumptions used in the actuarial valuation, are included in the City of Lincoln's Comprehensive Annual Financial Report (CAFR).

SUPPLEMENTARY
INFORMATION

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

Summary of Long-Term Debt

August 31, 2018

Due years ending August 31	NDEQ Loan (C317247) 2009		NDEQ Loan (C317078) 2009		NDEQ Loan (C317830) 2011		Series 2012		Series 2015		Series 2017		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2019	\$ 172,826	\$ 29,668	\$ 234,082	\$ 70,615	\$ 751,146	\$ 305,166	\$ 2,265,000	\$ 954,450	\$ 745,000	\$ 294,337	\$ 690,000	\$ 486,338	\$ 4,858,054	\$ 2,140,574	\$ 6,998,628
2020	175,076	27,418	238,787	65,910	768,141	288,170	2,305,000	909,150	760,000	279,438	720,000	458,738	\$ 4,967,004	\$ 2,028,824	6,995,828
2021	177,355	25,139	243,587	61,111	785,522	270,789	2,360,000	840,000	775,000	264,237	760,000	422,738	\$ 5,101,464	\$ 1,884,014	6,985,478
2022	179,664	22,831	248,483	56,215	803,295	253,016	2,445,000	745,600	790,000	248,738	785,000	399,938	\$ 5,251,442	\$ 1,726,338	6,977,780
2023	182,001	20,492	253,478	51,220	821,471	234,840	2,540,000	647,800	805,000	232,937	820,000	360,688	\$ 5,421,950	\$ 1,547,977	6,969,927
2024-2028	946,174	66,301	1,345,890	177,598	4,394,717	886,838	13,655,000	1,637,200	4,420,000	788,708	4,745,000	1,146,938	\$ 29,506,781	\$ 4,703,583	34,210,364
2029-2033	496,530	9,706	1,024,692	41,384	4,914,919	366,637	-	-	1,815,000	86,795	4,235,000	294,963	\$ 12,486,141	\$ 799,485	13,285,626
2034	-	-	-	-	510,440	5,742	-	-	-	-	-	-	\$ 510,440	\$ 5,742	516,182
	\$ 2,329,626	\$ 201,555	\$ 3,588,999	\$ 524,053	\$ 13,749,651	\$ 2,611,198	\$ 25,570,000	\$ 5,734,200	\$ 10,110,000	\$ 2,195,190	\$ 12,755,000	\$ 3,570,338	\$ 68,103,276	\$ 14,836,534	\$ 82,939,810

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
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	2,690,212	7,252,525	2.07
2017	30,516,105	14,726,200	15,789,905	3,650,000	2,017,875	5,667,875	2.79	4,761,636	2,619,979	7,381,615	2.14
2018	32,381,312	14,863,221	17,518,091	3,465,000	1,789,583	5,254,583	3.33	4,599,602	2,361,501	6,961,103	2.52

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

Schedule 3

Operating Expenses

Years ended August 31, 2018 and 2017

	2018	2017
Plant, pumping and treatment:		
Theresa Street Treatment Plant:		
Supervision and management	\$ 392,276	\$ 353,294
Administrative and support staff	90,464	84,645
Training and education	46,628	37,144
Data management	478,751	485,038
General operations	1,571,884	1,538,693
Treatment and process control	758,027	740,761
Solids processing	1,045,053	1,295,279
Structures maintenance	460,932	233,125
Process equipment maintenance	574,855	553,179
Control system maintenance	236,750	284,511
Electrical maintenance	129,392	105,791
Grounds maintenance	91,728	98,434
Depreciation of structure and improvement	1,541,568	1,518,906
Depreciation of treatment equipment	1,914,890	1,889,399
Depreciation of shop and lab equipment	2,924	2,353
Depreciation of office/communications equipment	148,422	74,337
Total Theresa Street Treatment Plant	\$ 9,484,544	\$ 9,294,889
Northeast Treatment Plant:		
Supervision and management	\$ 127,707	\$ 108,067
Administrative and support staff	27,304	25,161
Training and education	5,935	10,309
Data management	93,424	87,935
General operations	536,098	495,090
Treatment and process control	153,722	164,870
Solids processing	557,208	520,099
Structures maintenance	142,246	99,923
Process equipment maintenance	216,941	220,616
Control system maintenance	120,285	145,777
Electrical maintenance	80,161	84,042
Grounds maintenance	70,905	59,574
Depreciation of structures and improvements	424,665	431,816
Depreciation of treatment system	584,506	581,927
Depreciation of injection system	22,550	25,087
Depreciation of shop and laboratory equipment	6,231	6,231
Depreciation of office/communications equipment	2,414	2,414
Total Northeast Treatment Plant	\$ 3,172,302	\$ 3,068,938

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

Schedule 3, Cont.

Operating Expenses, Continued

Years ended August 31, 2018 and 2017

	2018	2017
Liftstations:		
General operations	\$ 88,854	\$ 84,967
Structures maintenance	26,514	22,036
Process equipment maintenance	100,712	62,690
Control system maintenance	17,979	21,383
Electrical maintenance	2,987	8,375
Grounds maintenance	3,239	4,967
Depreciation of liftstations	229,078	229,329
Total liftstations	469,363	433,747
Total plant, pumping and treatment	\$ 13,126,209	\$ 12,797,574
Operation and maintenance of wastewater lines:		
Supervision and management	\$ 386,648	\$ 419,459
Administrative and support staff	60,340	58,799
Training and education	108,427	90,694
Data management	309,368	298,593
General operations	339,632	256,602
Structures maintenance	28,420	19,261
Main repair/maintenance	235,579	191,832
Manhole repair/rehabilitation	121,055	138,662
Customer service	458,745	374,286
Cleaning maintenance	947,384	985,952
Field operations	263,866	312,578
Depreciation of treatment equipment	73,264	84,599
Depreciation of meters	284,785	269,101
Depreciation of shop and lab equipment	2,033	2,033
Depreciation of collection system	3,317,923	3,240,641
Total operation and maintenance of wastewater lines	\$ 6,937,469	\$ 6,743,092
Sanitary engineering services:		
Supervision and management	\$ 182,439	\$ 261,321
Administrative and support staff	62,906	60,795
Training and education	12,252	16,913
Data management	134,742	120,730
General operations	65,834	70,319
Laboratory operations	654,692	585,405
Field operations	513,535	542,986
Depreciation of structures and improvements	16,083	16,083
Depreciation of treatment equipment	12,075	6,955
Depreciation of office/communications equipment	2,148	2,191
Depreciation of shop and laboratory equipment	36,265	23,383
Total sanitary engineering services	\$ 1,692,971	\$ 1,707,081

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

Schedule 3, Cont.

Operating Expenses, Continued

Years ended August 31, 2018 and 2017

	2018	2017
Accounting and collecting:		
Supervision and management	\$ 182,101	\$ 210,241
Administrative and support staff	11,707	12,088
Meter reading	142,612	130,232
Billing and accounting	256,900	267,828
Collections	122,627	112,186
Customer services and billing	93,134	73,424
Customer contracts and orders	37,763	35,037
Total accounting and collecting	\$ 846,844	\$ 841,036
Administrative and general:		
Supervision and management	\$ 908,688	\$ 1,046,036
Administrative and support staff	131,257	133,163
Delivery service	34,972	32,543
Depreciation of office/communications equipment	-	11,365
Total administrative and general	\$ 1,074,917	\$ 1,223,107

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

Schedule 4

Utility Plant in Service

August 31, 2018 and 2017

Asset Class	Capital Assets			Accumulated Depreciation			Net Capital Assets	
	August 31, 2017	Increases	Decreases	August 31, 2018	August 31, 2017	Increases	Decreases	August 31, 2018
Theresa Street Plant:								
Structures and improvements	\$ 61,413,523	\$ 744,545	\$ -	\$ 62,158,068	\$ (24,085,054)	\$ (1,408,915)	\$ -	\$ (25,493,969)
Line equipment	205,211	-	-	205,211	(174,631)	(12,094)	-	(186,725)
Treatment equipment	47,965,335	168,836	-	48,134,171	(27,404,563)	(2,118,757)	-	(29,523,320)
Collection system	233,341,292	7,517,932	-	240,859,224	(65,586,899)	(3,341,399)	-	(68,928,298)
Lift stations/force mains	9,671,025	22,828	-	9,693,853	(1,105,316)	(223,713)	-	(1,329,029)
Environmental equipment	376,508	14,553	-	391,061	(357,738)	(3,006)	-	(360,744)
Office furniture and equipment	531,887	-	-	531,887	(451,229)	(16,902)	-	(468,131)
Shop equipment	127,647	-	-	127,647	(116,104)	(1,193)	-	(117,297)
Communications system	739,607	1,390,700	-	2,130,307	(501,499)	(133,669)	-	(635,168)
Laboratory equipment	691,662	176,970	-	868,632	(603,975)	(37,024)	-	(640,999)
Meters	5,613,493	511,529	-	6,125,022	(3,264,049)	(284,785)	-	(3,548,834)
Theresa Street depreciable assets	360,677,190	10,547,893	-	371,225,083	(123,651,057)	(7,581,457)	-	(131,232,514)
Land and land rights	4,938,589	27	(4,022)	4,934,594	-	-	-	4,934,594
Theresa Street nondepreciable assets	4,938,589	27	(4,022)	4,934,594	-	-	-	4,934,594
Total Theresa Street Plant	365,615,779	10,547,920	(4,022)	376,159,677	(123,651,057)	(7,581,457)	-	(131,232,514)
Northeast Plant:								
Structures and improvements	\$ 19,372,390	\$ -	\$ -	\$ 19,372,390	\$ (10,220,481)	\$ (428,106)	\$ -	\$ (10,648,587)
Treatment equipment	21,771,121	39,846	-	21,810,967	(7,071,008)	(539,899)	-	(7,610,907)
Office furniture and equipment	11,413	-	-	11,413	(10,127)	(648)	-	(10,775)
Shop and work equipment	150,302	-	-	150,302	(125,247)	(6,231)	-	(131,478)
Communications system	8,827	-	-	8,827	(3,677)	(1,766)	-	(5,443)
Injection system	658,907	-	-	658,907	(467,605)	(10,083)	-	(477,688)
Pond and liner	520,132	-	-	520,132	(520,132)	-	-	(520,132)
Sludge injection equipment	79,663	-	-	79,663	(77,365)	(2,298)	-	(79,663)
Lift stations/force mains	-	-	-	-	1,685	-	-	1,685
Transmission/work equipment	1,125,400	-	-	1,125,400	(466,401)	(51,336)	-	(517,737)
Northeast depreciable assets	43,698,155	39,846	-	43,738,001	(18,960,358)	(1,040,367)	-	(20,000,725)
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	45,759,197	39,846	-	45,799,043	(18,960,358)	(1,040,367)	-	(20,000,725)
Vehicles and work equipment (all locations)	3,123,089	353,080	(35,816)	3,440,353	(2,253,679)	(193,365)	30,684	(2,416,360)
Utility plant in service	\$ 414,498,065	\$ 10,940,846	\$ (39,838)	\$ 425,399,073	\$ (144,865,094)	\$ (8,815,189)	\$ 30,684	\$ (153,649,599)
Construction in progress	2,806,906	10,546,788	(5,711,606)	7,642,088	-	-	-	7,642,088
Total capital assets	\$ 417,304,971	\$ 21,487,634	\$ (5,751,444)	\$ 433,041,161	\$ (144,865,094)	\$ (8,815,189)	\$ 30,684	\$ (153,649,599)

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

GENERAL STATISTICS

Year Ended August 31, 2018

(Unaudited)

Altitude of Lincoln, Nebraska	1,167 Feet
Area of Lincoln, Nebraska	96.75 Square Miles
Population	284,736 Estimate
Total Miles of Wastewater Mains & Collector Lines in Use:	
Miles in use September 1, 2017	1,107
Estimated Added During Year	32.50
Estimated Removed During Year	—
Total as of August 31, 2018	1,139.50 Miles
Number of Wastewater Lift (Pumping) Stations:	16
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	26.80 million gallons per day
Northeast Treatment Facility	4.45 million gallons per day
Total Number of Active Residential Wastewater Customers	
End of Fiscal Year	79,826
Total Number of Active Non-Residential Wastewater Customers	
End of Fiscal Year	4,474
Total Debt of Lincoln Wastewater System as of August 31, 2018	\$68,103,276

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

TOP TEN CUSTOMERS

Year Ended August 31, 2018

(Unaudited)

	<u>USAGE</u> (HCF)	<u>AMOUNT</u>
1. University of Nebraska	435,762	\$947,576
2. State of Nebraska	282,682	578,046
3. Archer-Daniels Midland Company	163,053	331,789
4. Lincoln Industries	121,800	249,322
5. University of Nebraska Foundation	116,230	232,920
6. Bryan Health	100,982	217,914
7. Lincoln Public Schools	99,002	268,408
8. Lincoln Housing Authority	86,073	242,191
9. Veyance Technologies, Inc.	77,026	159,045
10. City of Lincoln	58,527	148,498
Top Ten User Totals	1,541,137	\$3,375,709

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

Summary of Insurance Coverage

August 31, 2018

(Unaudited)

Type of policy	Insurance coverage	Policy limits	Self-insured retention deductible	Department Self-insurance deductible	Insurance carrier	Policy number
Automobile Fleet Liability	Self-Insured Excess Coverage Excess Coverage	0 - 250,000 250,000 - 1,000,000 1,000,000 - 6,000,000	250,000		States	3000027-1
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	75,000	2,500	FM Global	1015645
Money and Securities	Inside/outside premises	3,000,000	25,000	10,000	Hartford Fire	83FA029203117
Data Processing Equipment	Computer equipment, data and media	Replacement cost	75,000	2,500	FM Global	1015645
Equipment Floater (NON-LIC)	Non-licensed scheduled equipment	Actual Cash Value	75,000	2,500	FM Global	1015645
Equipment Floater (Sanitary)	Inspection scheduled equipment	Replacement cost	75,000	2,500	FM Global	1015645
General Liability ***	\$6,000,000 occurrence / \$12,000,000 annual aggregate	6,000,000	250,000	0	States	3000027-1
Public Employee Blanket Bond	Employees blanket bond coverage	3,000,000	25,000	10,000	Hartford Fire	83FA029203117
Public Officials Liability***	\$6,000,000 occurrence / \$12,000,000 annual aggregate	6,000,000	250,000	0	States	3000027-1
Workers' Compensation Excess	Statutory	Statutory	800,000	0	Midwest Employers Casualty (MECC)	EWCC007744
Cyber Liability	1 st Party/3 rd Party/Data Breach	3,000,000	50,000		XL Catlin	MTP9034936

** Self-insured for both comp & collision.

*** Public Entity Policy

Lincoln 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.

CYBER INSURANCE

Provides liability, business interruption, data recovery, cyber extortions and data breach coverage.