

LINCOLN WATER SYSTEM



Financial
Statements
& Schedules
Fiscal Year Ended
August 31, 2009

ANNUAL FINANCIAL REPORT

DEPARTMENT OF PUBLIC WORKS/UTILITIES

CITY OFFICIALS

Chris Beutler Mayor

COUNCIL MEMBERS

Doug Emery Chair

John Spatz Vice-Chair

- Jon Camp
- Eugene Carroll
- Jonathan Cook
- Adam Hornung
- Jayne Snyder

WATER SYSTEM

Greg MacLean Director of Public Works/Utilities

Lincoln Water System
August 31, 2009 and 2008

Contents

Independent Accountants' Report on Financial Statements and Supplementary Information	1
Management's Discussion and Analysis	3
Financial Statements	
Balance Sheets	9
Statements of Revenues, Expenses and Changes in Net Assets	10
Statements of Cash Flows	11
Notes to Financial Statements	12
Supplementary Information	
Summary of Long-Term Debt	28
Debt Coverage Ratio (unaudited)	29
Operating Expenses	30
Utility Plant in Service	33
General Statistics (unaudited)	34
Top Ten Customers (unaudited)	35
Water Use Charges (unaudited)	36
Quantitative Statistics (unaudited)	43
Comparative Pumping Report (unaudited)	44
Annual Rainfall (unaudited)	45
Water Analysis (unaudited)	46
Summary of Insurance Coverage (unaudited)	47
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49

Independent Accountants' Report on Financial Statements and Supplementary Information

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

We have audited the accompanying basic financial statements of Lincoln Water System as of and for the years ended August 31, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of Lincoln Water System's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of Lincoln Water System are intended to present the financial position, the changes in financial position and cash flows of only that portion of the City of Lincoln, Nebraska, that is attributable to the transactions of Lincoln Water System. They do not purport to, and do not, present fairly the financial position of the City of Lincoln, Nebraska, as of August 31, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lincoln Water System as of August 31, 2009 and 2008, and its 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2009 on our consideration of Lincoln Water System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on Lincoln Water System's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "Unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

November 30, 2009

LINCOLN WATER SYSTEM

Management's Discussion and Analysis

This Management's Discussion and Analysis of the Lincoln Water System's (the "System") financial performance provides an overview of the financial activities for the years ended August 31, 2009 and 2008. 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 balance sheet; a statement of revenues, expenses and changes in net assets; 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 Balance Sheet and Statement of Revenues, Expenses and Changes in Net Assets

The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Assets report information about the System's resources and its activities. These statements include all restricted and unrestricted assets 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 assets and changes in them. The System's total net assets – the difference between assets and liabilities – is one measure of the System's financial health or financial position. Over time, increases or decreases in the System's net assets are 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 Assets

The System's net assets are the difference between its assets and liabilities reported in the Balance Sheet. The System's net assets increased by \$6,043,069 (2.53%) in 2009 over 2008 as shown in Table 1.

Financial Analysis

The following comparative condensed financial statements summarize Lincoln Water System's financial position and operating results for the years ended August 31, 2009, 2008, and 2007.

Table 1

Condensed Balance Sheets

	August 31		Variance	
	2009	2008	Dollars	Percent
Current assets	\$ 13,009,313	\$ 11,814,994	\$ 1,194,319	10.11%
Capital assets	298,833,004	286,316,418	12,516,586	4.37%
Restricted assets	10,557,106	11,382,762	(825,656)	-7.25%
Long-term investments	8,365,688	8,281,319	84,369	1.02%
Deferred charges	740,779	640,025	100,754	15.74%
Total assets	331,505,890	318,435,518	13,070,372	4.10%
Current liabilities	13,810,175	15,040,929	(1,230,754)	-8.18%
Long-term liabilities	73,057,608	64,799,551	8,258,057	12.74%
Total liabilities	86,867,783	79,840,480	7,027,303	8.80%
Net assets				
Invested in capital assets, net of related debt	233,365,538	222,706,850	10,658,688	4.79%
Restricted for debt service	216,595	992,855	(776,260)	-78.18%
Restricted for capital acquisition	808,345	404,423	403,922	99.88%
Unrestricted	10,247,629	14,490,910	(4,243,281)	-29.28%
Total net assets	244,638,107	238,595,038	6,043,069	2.53%
Total liabilities and net assets	\$331,505,890	\$318,435,518	\$13,070,372	4.10%

Financial Highlights – Fiscal Year 2009

- Total assets at year-end were \$331,505,890 and exceeded total liabilities by \$244,638,107. Of this amount \$10,247,629 (unrestricted) may be used to meet the ongoing obligations of the System.
- Capital assets increased by \$12,516,586 (4.37%) due to the addition of several major projects, which included:
 - Water Distribution Mains – approximately \$1,820,000
 - Water Transmission Pump Station & Mains – approximately \$7,915,000
 - Water Treatment Plan – approximately \$2,716,000
- Long term liabilities increased by \$8,258,057 (12.74%) primarily due to the issuance of \$15,420,000 in revenue bonds less current maturities paid on all revenue bonds of approximately \$5,800,000.

Table 2**Condensed Balance Sheets**

	August 31		Variance	
	2008	2007	Dollars	Percent
Current assets	\$ 11,814,994	\$ 18,341,575	(\$ 6,526,581)	-35.58%
Capital assets	286,316,418	260,778,290	25,538,128	9.79%
Restricted assets	11,382,762	26,185,342	(14,802,580)	-56.53%
Long-term investments	8,281,319	8,120,246	161,073	1.98%
Deferred charges	640,025	710,058	(70,033)	-9.86%
Total assets	318,435,518	314,135,511	4,300,007	1.37%
Current liabilities	15,040,929	12,025,855	3,015,074	25.07%
Long-term liabilities	64,799,551	69,174,307	(4,374,756)	-6.32%
Total liabilities	79,840,480	81,200,162	(1,359,682)	-1.67%
Net assets				
Invested in capital assets, net of related debt	222,706,850	202,377,698	20,329,152	10.05%
Restricted for debt service	992,855	1,341,152	(348,297)	-25.97%
Restricted for capital acquisition	404,423	2,203,158	(1,798,735)	-81.64%
Unrestricted	14,490,910	27,013,341	(12,522,431)	-46.36%
Total net assets	238,595,038	232,935,349	5,659,689	2.43%
Total liabilities and net assets	\$318,435,518	\$314,135,511	\$4,300,007	1.37%

Financial Highlights – Fiscal Year 2008

- Total assets at year-end were \$318,435,518 and exceeded total liabilities by \$238,595,038. Of this amount \$14,490,910 (unrestricted) may be used to meet the ongoing obligations of the System.
- Current assets decreased by \$6,526,581 (-35.58%) due to completion of several projects.
- Capital assets increased by \$25,538,128 (9.79%) due to major project additions, which included:
 - Water Distribution Mains – approximately \$2,613,000
 - Water Transmission Pump Station & Mains – approximately \$20,307,000
 - Selected Main Replacements – approximately \$2,600,000

Table 3

Condensed Statements of Revenues, Expenses, and Changes in Net Assets

	August 31		Variance	
	2009	2008	Dollars	Percent
Operating revenue				
Water revenue	\$25,052,990	\$23,506,747	\$1,546,243	6.58%
Other revenue	639,213	542,292	96,921	17.87%
Total operating revenue	<u>25,692,203</u>	<u>24,049,039</u>	<u>1,643,164</u>	<u>6.83%</u>
Operating expenses				
Supply, pumping and purification	11,824,225	11,741,251	82,974	0.71%
Transmission and distribution	7,831,566	7,447,752	383,814	5.15%
Accounting and collecting	966,546	858,711	107,835	12.56%
Administrative and general	1,300,641	1,305,044	(4,403)	-0.34%
Total operating expenses	<u>21,922,978</u>	<u>21,352,758</u>	<u>570,220</u>	<u>2.67%</u>
Operating income	3,769,225	2,696,281	1,072,944	39.79%
Net nonoperating expenses	(1,000,492)	(32,899)	(967,593)	2941.10%
Capital contributions	3,274,336	2,996,307	278,029	9.28%
Change in net assets	<u>\$6,043,069</u>	<u>\$5,659,689</u>	<u>\$383,380</u>	<u>6.77%</u>

Financial Highlights – Fiscal Year 2009

- Operating revenues increased by \$1,643,164 (6.83%) compared to 2008. Effective February 2009, there was a 3% user fee increase. Total water pumpage for 2009 was 11,941,190,000 gallons, 42,380,000 gallons less than the water pumpage for 2008, due to a cool summer.
- Operating expenses increased \$570,220 (2.67%) compared to 2008, in part due to increased employee benefit costs, electricity, and chemical costs.
- Net nonoperating expenses increased \$967,593 (2941.10%) compared to 2008 due to less interest income and lower interest rates on investments.

Table 4

Condensed Statements of Revenues, Expenses, and Changes in Net Assets

	August 31		Variance	
	2008	2007	Dollars	Percent
Operating revenue				
Water revenue	\$23,506,747	\$24,566,224	(\$1,059,477)	-4.31%
Other revenue	542,292	683,408	(141,116)	-20.65%
Total operating revenue	<u>24,049,039</u>	<u>25,249,632</u>	<u>(1,200,593)</u>	<u>-4.75%</u>
Operating expenses				
Supply, pumping and purification	11,741,251	11,815,384	(74,133)	-0.63%
Transmission and distribution	7,447,752	7,068,748	379,004	5.36%
Accounting and collecting	858,711	864,001	(5,290)	-0.61%
Administrative and general	1,305,044	1,327,440	(22,396)	-1.69%
Total operating expenses	<u>21,352,758</u>	<u>21,075,573</u>	<u>277,185</u>	<u>1.32%</u>
Operating income	2,696,281	4,174,059	(1,477,778)	-35.40%
Net nonoperating revenues (expenses)	(32,899)	117,642	(150,541)	-127.97%
Capital contributions	2,996,307	3,420,280	(423,973)	-12.40%
Change in net assets	<u>\$5,659,689</u>	<u>\$7,711,981</u>	<u>(\$2,052,292)</u>	<u>-26.61%</u>

Financial Highlights – Fiscal Year 2008

- Operating revenues decreased by \$1,200,593 (-4.75%) compared to 2007. There was a user fee increase of 7% which was effective in February 2008, but due to wet weather, usage was down. Total water pumpage for 2008 was 11,983,570,000 gallons, 812,280,000 gallons less than the water pumpage for 2007.
- Operating expenses increased \$277,185 (1.32%) compared to 2007, in part due to increased employee benefit costs, electricity costs, and chemical costs.
- Net nonoperating revenues (expenses) provided a net decrease in 2008 of \$150,541 (-127.97%) compared to 2007 due to lower interest rates on investments.

Debt Activity

In August 2009, the Lincoln Water System issued \$15,420,000 of additional bonds to be used on construction costs.

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

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 assets maintained by the System, to which the revenue bonds' obligation of the System is pledged. Currently, the credit rating received from Standard & Poor's Rating Services is AA. The credit rating issued by Moody's Rating Services is Aa2.

Commitments and Contingencies

Lincoln Water System has commitments under major construction contracts in progress of approximately \$4,000,000 at August 31, 2009.

Forward-Looking Information

The approved Capital Improvement Program for Fiscal Year 2009/10 -2014/15 identifies the need for \$93,330,000 to fund capital improvements for the Water System. Approximately \$74,250,000 of that total is projected to be funded by revenue bonds. Future user fee increases will be needed to make the necessary improvements possible.

Contact Information

This financial report is intended to provide users with a general overview of the System's financial performance for 2009 and 2008. 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 WATER SYSTEM

Balance Sheets

August 31, 2009 and 2008

Assets	2009	2008
Current assets:		
Equity in pooled cash and investments	\$ 4,394,292	3,491,334
Receivables:		
Accounts receivable	2,808,120	2,396,260
Unbilled revenues	3,275,363	3,483,790
Due from other funds	873,514	995,752
Impact fees	808,345	404,423
Total receivables	7,765,342	7,280,225
Inventories	849,679	1,043,435
Total current assets	13,009,313	11,814,994
Noncurrent assets:		
Restricted assets:		
Equity in pooled cash and investments	10,557,106	11,382,762
Investments	8,365,688	8,281,319
Total restricted assets	18,922,794	19,664,081
Utility plant	397,608,114	378,408,545
Less accumulated depreciation	98,775,110	92,092,127
Net utility plant	298,833,004	286,316,418
Unamortized bond issuance costs	740,779	640,025
Total noncurrent assets	318,496,577	306,620,524
Total assets	\$ 331,505,890	318,435,518
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 531,560	805,779
Accrued liabilities	579,103	1,063,409
Deposits liability	78,444	105,250
Accrued compensated absences	380,821	381,940
Construction contracts	6,044,900	6,757,677
Current maturities of long-term debt	6,050,000	5,795,000
Accrued interest	145,347	131,874
Total current liabilities:	13,810,175	15,040,929
Long-term liabilities:		
Accrued liabilities	40,806	42,016
Accrued compensated absences	376,989	318,629
Construction contracts	667,211	1,599,554
Long-term debt, excluding current maturities	71,972,602	62,839,352
Total long-term liabilities	73,057,608	64,799,551
Total liabilities	86,867,783	79,840,480
Net assets:		
Invested in capital assets, net of related debt	233,365,538	222,706,850
Restricted for debt service	216,595	992,855
Restricted for capital acquisition	808,345	404,423
Unrestricted	10,247,629	14,490,910
Total net assets	244,638,107	238,595,038
Total liabilities and net assets	\$ 331,505,890	318,435,518

See accompanying notes to financial statements.

LINCOLN WATER SYSTEM

Statements of Revenues, Expenses and Changes in Net Assets

Years ended August 31, 2009 and 2008

	2009	2008
Operating revenues:		
Water sales	\$ 25,052,990	23,506,747
Service and materials, net	639,213	542,292
Total operating revenues	25,692,203	24,049,039
Operating expenses:		
Supply, pumping and purification	11,824,225	11,741,251
Transmission and distribution	7,831,566	7,447,752
Accounting and collecting	966,546	858,711
Administrative and general	1,300,641	1,305,044
Total operating expenses	21,922,978	21,352,758
Operating income	3,769,225	2,696,281
Nonoperating revenues (expenses):		
Investment income	870,720	1,967,280
Interest expense	(1,800,608)	(1,956,146)
Amortization of bond costs	(70,604)	(70,033)
Federal grant revenue	-	26,000
Net nonoperating expenses	(1,000,492)	(32,899)
Increase in net assets before capital contributions	2,768,733	2,663,382
Capital contributions from:		
Developers	1,999,072	1,755,442
Impact fees	978,180	863,921
Tap fees	297,084	376,944
Total capital contributions	3,274,336	2,996,307
Increase in net assets	6,043,069	5,659,689
Total net assets - beginning	238,595,038	232,935,349
Total net assets - ending	\$ 244,638,107	238,595,038

See accompanying notes to financial statements.

LINCOLN WATER SYSTEM

Statements of Cash Flows

Years ended August 31, 2009 and 2008

	2009	2008
Operating activities:		
Receipts from customers and users	\$ 25,058,042	26,243,027
Payments to suppliers	(7,727,045)	(6,999,831)
Payments to employees	(7,776,770)	(7,282,395)
Net cash provided by operating activities	9,554,227	11,960,801
Noncapital financing activities:		
Federal grant revenue	-	26,000
Repayment from other funds, net	122,238	1,043,836
Net cash provided by noncapital financing activities:	122,238	1,069,836
Capital and related financing activities:		
Acquisition and construction of capital assets	(17,815,271)	(25,438,740)
Principal paid on revenue bonds	(5,795,000)	(5,555,000)
Proceeds from sale of revenue bonds	15,248,642	
Interest paid on revenue bonds	(2,023,885)	(2,167,275)
Net cash used in capital and related financing activities	(10,385,514)	(33,161,015)
Investing activities:		
Purchases of investments	(2,741,705)	(5,320,121)
Proceeds from investment maturities	3,593,879	20,150,664
Interest on investments	759,833	1,778,244
Net cash provided by investing activities	1,612,007	16,608,787
Net increase (decrease) in cash and cash equivalents	902,958	(3,521,591)
Cash and cash equivalents at beginning of year	3,491,334	7,012,925
Cash and cash equivalents at end of year	\$ 4,394,292	3,491,334
Reconciliation of net operating income to net cash provided by operating activities:		
Operating income	\$ 3,769,225	2,696,281
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	6,927,901	6,927,237
Changes in operating assets and liabilities:		
Accounts receivable	(607,355)	2,181,738
Inventories	193,756	(220,584)
Accounts payable	(274,219)	264,805
Accrued liabilities and deposit liability	(512,322)	100,319
Accrued compensated absences	57,241	11,005
Total adjustments	5,785,002	9,264,520
Net cash provided by operating activities	\$ 9,554,227	11,960,801

Supplemental disclosure of noncash transactions:

Contributed capital improvements of \$1,999,072 and \$1,755,442 were added to utility plant in 2009 and 2008, respectively.

Accounts payable incurred for utility plant purchases were \$6,712,111 and \$8,357,231 in 2009 and 2008, respectively.

See accompanying notes to financial statements.

LINCOLN WATER SYSTEM

Notes to Financial Statements

August 31, 2009 and 2008

(1) Organization and Summary of Significant Accounting Policies

Organization and Nature of Operations

Lincoln Water System is a public utility accounted for as an enterprise fund by the City of Lincoln, Nebraska (City). Lincoln Water System (System) is operated under the direction of the Mayor and City Council. The authority to adopt the annual budget, to incur debt and to fix rates and charges is vested in the City Council by the Charter of the City of Lincoln. As the Lincoln Water System is a part of the City, it is exempt from federal income tax.

Measurement Focus and Basis of Accounting

The financial statements of the Lincoln Water System are prepared on the accrual basis of accounting using the economic resources measurement focus. Lincoln Water System follows the uniform system of accounts as prescribed by the National Association of Regulatory Utility Commissioners. In reporting financial activity, Lincoln Water System applies all applicable Government Accounting Standards Board (GASB) pronouncements, as well as Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins, that do not conflict with or contradict GASB pronouncements.

The financial statements referred to above present only the Lincoln Water System and do not purport to, and do not, present fairly the financial position of the City of Lincoln, Nebraska, as of August 31, 2009 and 2008, 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.

The System first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating Revenues and Expenses

As an enterprise fund, the Lincoln Water 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 Lincoln Water System's principal ongoing operations. The principal operating revenues of the Lincoln Water System are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(Continued)

LINCOLN WATER SYSTEM

Notes to Financial Statements

August 31, 2009 and 2008

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

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 fair 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.

Depreciation expense is calculated on the straight-line method over the estimated useful lives of the assets. Depreciation expense recognized on contributed assets is charged to operations in accordance with similar utility 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

(Continued)

LINCOLN WATER SYSTEM

Notes to Financial Statements

August 31, 2009 and 2008

(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 Lincoln Water 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, Lincoln Water 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 balance sheets.

Fair value of the equity in the pool is the same as the value of the pool shares determined using the fair value of the pool's underlying investment portfolio.

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

U.S. Treasury obligations are carried at fair value as determined based on quoted market price. Investment agreements are carried at contract value.

Capital Contributions

Developer contributions are water 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.

Unamortized Premium on Revenue Bonds

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

(Continued)

LINCOLN WATER SYSTEM

Notes to Financial Statements

August 31, 2009 and 2008

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

Revenues

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

The City Council sets the rate schedule for the Lincoln Water System. The following rates were assessed per one hundred cubic feet of water usage for the years ended August 31, 2009 and 2008:

	<u>August 31, 2009</u>	<u>August 31, 2008</u>
<u>Water Usage</u>		
Residential:		
100 to 800 cubic feet	\$ 1.16	\$ 1.13
801 to 2,300 cubic feet	1.65	1.59
2,301 and up	2.56	2.48
Nonresidential low volume user:		
100 to 8,000 cubic feet	1.16	1.13
8,001 and up	1.65	1.59
Nonresidential high volume user:		
Base usage which is average water usage for previous three calendar years	1.10 to 1.22	1.07 to 1.20
<u>Service Charge</u>		
Residential: single-family dwelling unit	\$ 2.95	\$ 2.95
Residential: multiple-family dwelling unit	1.81	1.81
Non-residential:	Based on size and number of water meters or number of dwelling units.	

Bond Issuance Costs

The issuance costs on the revenue bonds are amortized using the straight-line method over the terms of the related issues.

(Continued)

LINCOLN WATER SYSTEM

Notes to Financial Statements

August 31, 2009 and 2008

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

Net Assets Classification

Net assets are required to be classified into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. 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 invested in capital assets, net of related debt.

Restricted - This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors (such as through debt covenants), contributors, or law or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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 35 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 for one-half of accumulated sick leave, which may in some cases be placed directly in a medical spending account instead of reimbursing the employee directly. The Lincoln Water System accrues for vacation, sick leave and other compensated absences with similar characteristics.

Compensated absences of the Lincoln Water System at August 31, 2009 and 2008 are summarized below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
August 31, 2009	\$700,569	439,181	381,940	757,810	380,821
August 31, 2008	689,564	361,353	350,348	700,569	381,940

(Continued)

LINCOLN WATER SYSTEM

Notes to Financial Statements

August 31, 2009 and 2008

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

Other Post-Employment Benefits

The Water System recorded a liability for the annual required contribution (ARC) of approximately \$41,000 and \$42,000 as of August 31, 2009 and 2008, 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 Lincoln Water System has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets, liabilities, and revenues to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 financial statement presentation. These reclassifications had no effect on the change in net assets.

(Continued)

LINCOLN WATER SYSTEM

Notes to Financial Statements

August 31, 2009 and 2008

(2) Deposits, Investments, and Investment Return

Deposits

State statutes require banks either to give bond 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. One or more of the financial institutions holding the City's cash accounts are participating in the Federal Deposit Insurance Corporation's (FDIC) Transaction Account Guarantee Program. Under the program, through June 30, 2010, all noninterest-bearing transaction accounts at these institutions are fully guaranteed by the FDIC for the entire amount in the account. For interest-bearing cash accounts, the City's cash deposits, including certificates of deposit, are insured up to \$250,000 by the FDIC. Any cash deposits or certificates of deposit in excess of the \$250,000 FDIC limits are covered by collateral held in a Federal Reserve pledge account or by an agent for the City 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. agencies and instrumentalities and in bank repurchase agreements. It may also invest to limited extent in corporate bonds, bankers' acceptances, and collateralized investment agreements.

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. Lincoln Water System's investments in U.S. Treasury obligations at August 31, 2009 and 2008, are held in a book entry system in an account designated as a customer account at the Federal Reserve and the custodian's internal records identifies the City as owner. Securities pledged as collateral for Lincoln Water System's investments in collateralized investment agreements are held by outside counterparties and the custodian's internal records identifies the City as owner.

At August 31, 2009 and 2008, the Lincoln Water System had the following investments and maturities:

Type	August 31, 2009			
	Carrying Value	Maturities in Years		
		1-5	6-10	More than 10
U.S. Treasury obligations	\$3,435,688	3,435,688	—	—
Collateralized Investment Agreements	<u>4,930,000</u>	<u>—</u>	<u>—</u>	<u>4,930,000</u>
	<u>\$8,365,688</u>	<u>3,435,688</u>	<u>—</u>	<u>4,930,000</u>

Type	August 31, 2008			
	Carrying Value	Maturities in Years		
		1-5	6-10	More than 10
U.S. Treasury obligations	\$3,351,319	3,351,319	—	—
Collateralized Investment Agreements	<u>4,930,000</u>	<u>—</u>	<u>—</u>	<u>4,930,000</u>
	<u>\$8,281,319</u>	<u>3,351,319</u>	<u>—</u>	<u>4,930,000</u>

(Continued)

LINCOLN WATER SYSTEM

Notes to Financial Statements

August 31, 2009 and 2008

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

Interest Rate Risk:

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 are limited to ten year maturities. Collateralized investment agreements are not subject to interest rate risk, as the interest rate is guaranteed by the issuer.

Credit Risk:

Credit Risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy allows collateralized investment agreements with an initial rating at least AA- by Standard & Poor's (S & P) and Aa3 by Moody's Investors Service (Moody's) with provisions that if the provider is downgraded below AA- by S & P or Aa3 by Moody's the provider must deliver collateral of United States government agencies obligations at a margin of 104%, and if the provider is further downgraded below A- by S & P or A3 by Moody's, the issuer will have the right to terminate the agreement and receive all invested amounts plus accrued but unpaid interest without penalty. As of August 31, 2009 and 2008, the provider of the collateralized investment agreements held by Lincoln Water System was rated A- and AA-, respectively, by Standard & Poor's and A3 and Aa3, respectively, by Moody's Investors Service.

Concentration of Credit Risk:

The City's investment policy places various limits on the amount that may be invested in any one issuer. Per the policy, 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. As of August 31, 2009 and 2008, the collateralized investment agreements held by Lincoln Water System constituted 21% and 21%, respectively, of its total funds available for investing. These collateralized investment agreements were made with funds from the bond debt reserve funds established.

The carrying amount of equity interests in pooled cash and investments at August 31, 2009 and 2008 are:

	2009	2008
Equity in pooled cash and investments	\$14,951,398	14,874,096

Investment Income

Investment income for the years ended August 31, 2009 and 2008 consisted of:

	2009	2008
Interest and dividend income	\$640,277	1,600,890
Net increase in fair value of investments	230,443	366,390
	<u>\$870,720</u>	<u>1,967,280</u>

(Continued)

LINCOLN WATER SYSTEM

Notes to Financial Statements

August 31, 2009 and 2008

(3) Inventories

Balances of the major classes of inventory at August 31, 2009 and 2008, are shown below:

	2009	2008
Heavy materials	\$551,224	728,995
Diesel fuel	100,219	112,732
Water meters and parts	159,330	153,129
Chemicals	38,906	48,579
Total inventories	\$849,679	1,043,435

(Continued)

LINCOLN WATER SYSTEM

Notes to Financial Statements

August 31, 2009 and 2008

(4) Utility Plant

Utility plant is summarized by major classification at August 31, 2009 as follows:

Asset Class	Capital Assets				Accumulated Depreciation				Net Capital Assets
	August 31, 2008	Increases	Decreases	August 31, 2009	August 31, 2008	Increases	Decreases	August 31, 2009	August 31, 2009
Airport	\$ 42,172	-	-	42,172	(25,323)	(422)	-	(25,745)	16,427
Structures and improvements	99,328,684	792,510	-	100,121,194	(27,595,714)	(2,367,861)	-	(29,963,575)	70,157,619
Other power and production equipment	1,893,984	392,589	-	2,286,573	(1,387,052)	(42,525)	-	(1,429,577)	856,996
Electric pumping equipment	25,460,830	271,119	(1,117)	25,730,832	(8,056,967)	(589,676)	1,117	(8,645,526)	17,085,306
Purification system	25,996,218	17,518	-	26,013,736	(9,545,223)	(785,051)	-	(10,330,274)	15,683,462
Transmission mains	51,389,827	4,738,023	-	56,127,850	(12,024,907)	(667,475)	-	(12,692,382)	43,435,468
Distribution mains and accessories	119,399,451	8,131,942	-	127,531,393	(21,116,903)	(1,349,621)	-	(22,466,524)	105,064,869
Hydrants	4,844,227	-	-	4,844,227	(3,204,021)	(140,534)	-	(3,344,555)	1,499,672
Office furniture and equipment	1,957,445	15,619	(14,024)	1,959,040	(1,476,704)	(128,579)	14,024	(1,591,259)	367,781
Shop equipment	214,641	-	(15,258)	199,383	(181,248)	(4,653)	15,258	(170,643)	28,740
Laboratory equipment	370,345	80,491	(57)	450,779	(269,622)	(41,792)	57	(311,357)	139,422
Tools and work equipment	539,164	-	(214,462)	324,702	(489,709)	(14,067)	214,462	(289,314)	35,388
Communications system	1,109,670	73,945	-	1,183,615	(239,912)	(58,282)	-	(298,194)	885,421
Meters	12,164,689	360,467	-	12,525,156	(5,052,910)	(552,977)	-	(5,605,887)	6,919,269
Vehicles	2,354,526	425,983	-	2,780,509	(1,425,912)	(184,386)	-	(1,610,298)	1,170,211
Total depreciable assets	347,065,873	15,300,206	(244,918)	362,121,161	(92,092,127)	(6,927,901)	244,918	(98,775,110)	263,346,051
Land and land rights	4,832,093	291,026	-	5,123,119	-	-	-	-	5,123,119
Construction in progress	26,510,579	16,726,012	(12,872,757)	30,363,834	-	-	-	-	30,363,834
Total nondepreciable assets	31,342,672	17,017,038	(12,872,757)	35,486,953	-	-	-	-	35,486,953
Total capital assets	\$ 378,408,545	32,317,244	(13,117,675)	397,608,114	(92,092,127)	(6,927,901)	244,918	(98,775,110)	298,833,004

During 2009, Lincoln Water System incurred \$2,941,269 of interest cost. Interest capitalized into construction in progress during 2009 was \$1,140,661. 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 1.91% in 2009

LINCOLN WATER SYSTEM

Notes to Financial Statements

August 31, 2009 and 2008

(4) Utility Plant

Utility plant is summarized by major classification at August 31, 2008 as follows:

Asset Class	Capital Assets				Accumulated Depreciation				Net Capital Assets
	August 31, 2007	Increases	Decreases	August 31, 2008	August 31, 2007	Increases	Decreases	August 31, 2008	August 31, 2008
Airport	\$ 42,172	-	-	42,172	(24,901)	(422)	-	(25,323)	16,849
Structures and improvements	95,103,963	4,236,137	(11,416)	99,328,684	(25,375,649)	(2,231,481)	11,416	(27,595,714)	71,732,970
Other power and production equipment	1,893,984	-	-	1,893,984	(1,339,592)	(47,460)	-	(1,387,052)	506,932
Electric pumping equipment	25,392,938	67,892	-	25,460,830	(7,173,110)	(883,857)	-	(8,056,967)	17,403,863
Purification system	25,924,392	71,826	-	25,996,218	(8,759,377)	(785,846)	-	(9,545,223)	16,450,995
Transmission mains	51,329,731	60,096	-	51,389,827	(11,410,684)	(614,223)	-	(12,024,907)	39,364,920
Distribution mains and accessories	111,265,205	8,134,246	-	119,399,451	(19,870,308)	(1,246,595)	-	(21,116,903)	98,282,548
Hydrants	4,844,227	-	-	4,844,227	(3,063,487)	(140,534)	-	(3,204,021)	1,640,206
Office furniture and equipment	1,881,560	135,582	(59,697)	1,957,445	(1,408,629)	(127,772)	59,697	(1,476,704)	480,741
Shop equipment	214,641	-	-	214,641	(176,444)	(4,804)	-	(181,248)	33,393
Laboratory equipment	352,334	18,011	-	370,345	(227,432)	(42,190)	-	(269,622)	100,723
Tools and work equipment	542,459	-	(3,295)	539,164	(475,668)	(17,336)	3,295	(489,709)	49,455
Communications system	382,220	727,450	-	1,109,670	(185,495)	(54,417)	-	(239,912)	869,758
Meters	12,098,110	66,579	-	12,164,689	(4,504,190)	(548,720)	-	(5,052,910)	7,111,779
Vehicles	2,271,472	274,082	(191,028)	2,354,526	(1,422,631)	(181,580)	178,299	(1,425,912)	928,614
Total depreciable assets	333,539,408	13,791,901	(265,436)	347,065,873	(85,417,597)	(6,927,237)	252,707	(92,092,127)	254,973,746
Land and land rights	4,712,177	119,916	-	4,832,093	-	-	-	-	4,832,093
Construction in progress	7,944,302	30,216,667	(11,650,390)	26,510,579	-	-	-	-	26,510,579
Total nondepreciable assets	12,656,479	30,336,583	(11,650,390)	31,342,672	-	-	-	-	31,342,672
Total capital assets	\$ 346,195,887	44,128,484	(11,915,826)	378,408,545	(85,417,597)	(6,927,237)	252,707	(92,092,127)	286,316,418

During 2008, Lincoln Water System incurred \$3,165,073 of interest cost. Interest capitalized into construction in progress during 2008 was \$1,208,927. 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 2.00% in 2008.

LINCOLN WATER SYSTEM

Notes to Financial Statements

August 31, 2009 and 2008

(5) Long-term Debt

Long-term debt of the Lincoln Water System at August 31, 2009 and 2008 is summarized below:

2009

Type of Debt	August 31, 2008	Additions	Reductions	August 31, 2009	Due Within One Year
2.75% - 5.00% Water Revenue Bonds, Series 2002, due in annual principal installments on August 15, increasing from \$865,000 in 2010 to the final payment of \$1,465,000 on August 15, 2022.	\$15,435,000	-	835,000	14,600,000	865,000
5% Water Revenue Bonds, Refunding Series 2003, due in annual principal installments on August 15, decreasing from \$4,135,000 in 2010 to the final payment of \$2,630,000 on August 15, 2012.	15,040,000	-	3,940,000	11,100,000	4,135,000
3.00% - 5.00% Water Revenue Bonds, Series 2004, due in annual principal installments on August 15, increasing from \$1,050,000 in 2010 to the final payment of \$3,065,000 on August 15, 2025.	36,180,000	-	1,020,000	35,160,000	1,050,000
2.00% - 4.5% Water Revenue Bonds, Series 2009, due in annual principal installments on August 15, increasing from \$465,000 in 2013 to the final payment of \$1,080,000 on August 15, 2034.	-	15,420,000	-	15,420,000	-
Unamortized premium on bonds Deferred for refunding	2,516,563 (537,211)	-	372,467 (135,717)	2,144,096 (401,494)	-
	<u>\$68,634,352</u>	<u>15,420,000</u>	<u>6,031,750</u>	<u>78,022,602</u>	<u>6,050,000</u>

(Continued)

LINCOLN WATER SYSTEM

Notes to Financial Statements

August 31, 2009 and 2008

(5) Long-term Debt, (continued)

2008

Type of Debt	August 31, 2007	Additions	Reductions	August 31, 2008	Due Within One Year
2.75% - 5.00% Water Revenue Bonds, Series 2002, due in annual principal installments on August 15, increasing from \$835,000 in 2009 to the final payment of \$1,465,000 on August 15, 2022.	\$16,240,000	-	805,000	15,435,000	835,000
5% Water Revenue Bonds, Refunding Series 2003, due in annual principal installments on August 15, increasing from \$3,940,000 in 2009 to the final payment of \$2,630,000 on August 15, 2012.	18,795,000	-	3,755,000	15,040,000	3,940,000
3.00% - 5.00% Water Revenue Bonds, Series 2004, due in annual principal installments on August 15, increasing from \$1,020,000 in 2009 to the final payment of \$3,065,000 on August 15, 2025.	37,175,000	-	995,000	36,180,000	1,020,000
Unamortized premium on bonds Deferred for refunding	2,853,018 (672,927)	- -	336,455 (135,716)	2,516,563 (537,211)	- -
	<u>\$74,390,091</u>	<u>-</u>	<u>5,755,739</u>	<u>68,634,352</u>	<u>5,795,000</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.

(Continued)

LINCOLN WATER SYSTEM

Notes to Financial Statements

August 31, 2009 and 2008

(5) Long-term Debt, (continued)

Maturities and sinking fund requirements on long-term debt at August 31, 2009 are as follows:

Years ending August 31	Principal	Interest	Total
2010	\$ 6,050,000	3,458,097	9,508,097
2011	6,310,000	3,191,857	9,501,857
2012	5,380,000	2,904,640	8,284,640
2013	3,310,000	2,647,265	5,957,265
2014	3,425,000	2,506,275	5,931,275
2015-2019	19,260,000	10,050,824	29,310,824
2020-2024	20,710,000	5,235,422	25,945,422
2025-2029	6,930,000	1,728,880	8,658,880
2030-2034	4,905,000	684,225	5,589,225
Total	\$76,280,000	32,407,485	108,687,485

The City has pledged future revenues derived from the operation of the Lincoln Water System, net of operating and maintenance expenses, to repay all outstanding water revenue bonds. Proceeds from the bonds provided financing for improvements to the water supply system, as well as refunding \$37.8 million of water revenue bonds. The bonds are payable solely from the net earnings of the Water System and are payable through 2034. The total principal and interest remaining to be paid on the bonds is \$108,687,485, with annual payments expected to require 69.6 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$8,923,414 and \$12,843,110, respectively.

(6) Commitments and Contingencies

Lincoln Water System has commitments under major construction contracts in progress of approximately \$4,000,000 at August 31, 2009.

Lincoln Water System has entered into various agreements with developers to be reimbursed for eligible infrastructure construction. After construction is substantially complete, the developer will be reimbursed by the System based upon the anticipated expenditure appropriation or collection of directed impact fees. As of August 31, 2009, the System's commitment to these developers is estimated to be approximately \$7,000,000 over the next 10 - 15 years.

(Continued)

LINCOLN WATER SYSTEM

Notes to Financial Statements

August 31, 2009 and 2008

(7) Disclosure About the Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

- *Cash, accounts receivable and accounts payable* - The carrying amount approximates fair value because of the short maturity of these instruments.
- *Long-term debt* - The estimated fair value of the System's long-term debt is approximately \$84,671,000 based on borrowing rates currently available as of August 31, 2009.
- *Investments* - The fair values of investments are based on quoted market prices for those investments as shown in Note 2.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(8) Related Party Transactions

The City billed the Water System approximately \$500,000 and \$466,000 for administrative services during 2009 and 2008, respectively. The Water 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 \$3,010,000 and \$2,450,000 during 2009 and 2008, respectively. Further, the Water System collects payments from customers on behalf of LES. At August 31, 2009, approximately \$222,000 is included in accounts payable for amounts owed to LES for electricity used and customer payments collected.

A special revenue fund of the City collects and holds impact fees until they are disbursed in accordance with City ordinance. The Lincoln Water System was due impact fees of \$808,345 and \$404,423 as of August 31, 2009 and 2008, respectively.

The City of Lincoln general fund has borrowed monies from the pooled cash and investment account. The Water System's allocated share of the borrowing was \$873,514 and \$995,752 as of August 31, 2009 and 2008, respectively. This amount is reflected as a current asset and is included in Due from Other Funds on the balance sheets.

(Continued)

LINCOLN WATER SYSTEM

Notes to Financial Statements

August 31, 2009 and 2008

(9) Risk Management

Lincoln Water System participates in the City's self-insurance program administered by the City's Risk Management Division (the Division). The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. On behalf of the City, the Division purchases insurance and administers funds for its self-insured program. The Division maintains a workers' compensation fund and a self-insurance loss fund. The Division provides first dollar coverage for all liability and workers' compensation exposure with insurance acting as an umbrella or excess coverage. The maximum exposure would be the deductible amounts for property and auto physical damage, as well as losses not covered by insurance. Lincoln Water System had no claims or judgments exceeding the policy limits during each of the last three prior years. Budgeted premium amounts charged to Lincoln Water System are placed in the appropriate fund maintained by the Division. Premium expense was approximately \$328,000 and \$309,000 in 2009 and 2008, respectively.

(10) Pension Plan

Employees of Lincoln Water 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 3% of earnings on the first \$4,800 and 6% on the balance of earnings. Lincoln Water System contributes \$2 for every \$1 contributed by the employees. Plan participants vest in the City's contributions in year three of participation at 20%, up to 100% vesting in year seven. All past service costs and vested benefits are fully paid. Contributions made by the System were approximately \$610,000 and \$579,000 for 2009 and 2008, respectively. Contributions made by the plan members were approximately \$327,000 and \$314,000 for 2009 and 2008, respectively.

SUPPLEMENTARY
INFORMATION

LINCOLN WATER SYSTEM

Schedule 1

Summary of Long-Term Debt

August 31, 2009

Due years ending August 31	Series 2002		Series 2003		Series 2004		Series 2009		Total		
	Principal	Interest	Principal	Interest	Principal	Interest			Principal	Interest	Total
2010	\$ 865,000	675,145	4,135,000	555,000	1,050,000	1,643,532	-	584,420	6,050,000	3,458,097	9,508,097
2011	895,000	644,870	4,335,000	348,250	1,080,000	1,609,406	-	589,331	6,310,000	3,191,857	9,501,857
2012	930,000	612,203	2,630,000	131,500	1,820,000	1,571,606	-	589,331	5,380,000	2,904,640	8,284,640
2013	960,000	577,328	-	-	1,885,000	1,480,606	465,000	589,331	3,310,000	2,647,265	5,957,265
2014	1,000,000	539,888	-	-	1,950,000	1,386,356	475,000	580,031	3,425,000	2,506,275	5,931,275
2015-2019	5,760,000	1,936,388	-	-	10,900,000	5,395,530	2,600,000	2,718,906	19,260,000	10,050,824	29,310,824
2020-2024	4,190,000	425,750	-	-	13,410,000	2,543,816	3,110,000	2,265,856	20,710,000	5,235,422	25,945,422
2025-2029	-	-	-	-	3,065,000	137,924	3,865,000	1,590,956	6,930,000	1,728,880	8,658,880
2030-2034	-	-	-	-	-	-	4,905,000	684,225	4,905,000	684,225	5,589,225
	\$ 14,600,000	5,411,572	11,100,000	1,034,750	35,160,000	15,768,776	15,420,000	10,192,387	76,280,000	32,407,485	108,687,485

*

LINCOLN WATER SYSTEM

Schedule 2

Debt Coverage Ratio

Last ten fiscal years

(Unaudited)

Fiscal Year Ending	Gross Revenue	Direct Operating Expenses	Net Available Balance	Debt Service Requirement			
				Principal	Interest	Total	Coverage
2000	24,018,217	9,812,147	14,206,070	2,640,000	2,361,515	5,001,515	2.84
2001	22,489,456	10,960,315	11,529,141	2,755,000	2,240,075	4,995,075	2.31
2002	22,894,652	11,474,433	11,420,219	2,880,000	2,110,590	4,990,590	2.29
2003	22,094,721	11,631,496	10,463,225	3,010,000	2,898,489	5,908,489	1.77
2004	24,557,918	12,477,486	12,080,432	3,115,000	2,411,633	5,526,633	2.19
2005	27,153,937	13,145,665	14,008,272	4,895,000	3,517,932	8,412,932	1.67
2006	29,014,999	13,808,214	15,206,785	5,130,000	3,834,301	8,964,301	1.70
2007	29,386,495	14,351,136	15,035,359	5,340,000	3,612,001	8,952,001	1.68
2008	27,257,184	14,425,521	12,831,663	5,555,000	3,376,201	8,931,201	1.44
2009	27,838,187	14,995,077	12,843,110	5,795,000	3,128,414	8,923,414	1.44

Operating Expenses

Years ended August 31, 2009 and 2008

	2009	2008
Lincoln Water Plant:		
Source of supply expenses:		
Supervision, management and administrative support	\$ 55,536	50,254
Electrical maintenance	670	2,459
Grounds maintenance	6,286	6,827
Wellfield maintenance	15,149	19,824
Wellfield operations	4,626	4,316
Depreciation of wells and houses	4,339	12,538
Depreciation of general plant	903	903
Total source of supply	\$ 87,509	97,121
Power and pumping expenses:		
Supervision, management and administrative support	\$ 98,362	93,126
Training and education	22,954	23,471
Data management	9,465	7,946
General operations	116,875	113,677
Treatment and process control	1,304	-
Structures maintenance	20,165	39,417
Control system maintenance	54,823	49,737
Electrical maintenance	133,276	133,051
Grounds maintenance	360,049	321,414
Main repair/maintenance	2,637	1,825
Customer services	39,106	25,925
Laboratory operations	42,716	37,917
Pumping and transmission maintenance	123,177	103,656
Pumping and transmission operations	2,012,357	1,796,976
Security maintenance	819	-
Depreciation of pumping equipment	390,842	383,339
Depreciation of general plant and improvements	162	227
Depreciation of structures and improvement	923,207	841,222
Total power and pumping	\$ 4,352,296	3,972,926
Total - Lincoln Water Plant	\$ 4,439,805	4,070,047
Ashland Water Plant:		
Source of supply expenses:		
Supervision, management and administrative support	\$ 137,807	138,857
Control system maintenance	45,144	40,928
Electrical maintenance	50,699	130,876
Grounds maintenance	98,401	113,620
Main repair/maintenance	21,228	4,041
Laboratory operations	10,030	12,902
Wellfield maintenance	149,855	185,405
Wellfield operations	814,597	776,329
Depreciation of transmission mains	260,420	260,420
Depreciation of other production equipment	612	-
Depreciation of wells and houses	465,701	769,553
Total source of supply	\$ 2,054,494	2,432,931

Operating Expenses

	2009	2008
Power and pumping expenses:		
Supervision, management and administrative support	\$ 120,941	119,384
General operations	4,967	11,272
Control system maintenance	19,415	25,676
Electrical maintenance	26,787	27,587
Main repair/maintenance	5,355	3,773
Pumping and transmission maintenance	35,973	70,675
Pumping and transmission operations	234,500	202,212
Depreciation of pumping equipment	310,210	315,181
Depreciation of structures and improvement	159,218	159,218
Depreciation of general plant	1,929	1,929
Depreciation of transmission mains	2,243	2,243
Depreciation of other production equipment	40,967	47,460
Total power and pumping	\$ 962,505	986,609
Purification expense:		
Supervision, management and administrative support	\$ 298,141	284,788
Training and education	113,022	88,656
General operations	68,559	73,907
Treatment and process control	124,521	108,112
Structures maintenance	18,356	14,243
Process equipment maintenance	18,440	43,209
Control system maintenance	99,832	97,342
Electrical maintenance	32,088	47,712
Grounds maintenance	537,459	569,136
Laboratory operations	325,161	321,300
Treatment operations	1,128,371	1,054,026
Depreciation of structures and improvements	762,217	687,671
Depreciation of transmission mains	8,671	-
Depreciation of purification equipment	785,051	785,846
Depreciation of general plant & equipment	47,532	75,716
Total purification expenses	\$ 4,367,421	4,251,664
Total Ashland Water Plant	\$ 7,384,420	7,671,204
Total supply, pumping and purification	\$ 11,824,225	11,741,251

Operating Expenses

	2009	2008
Transmission and distribution expenses:		
Supervision and management	\$ 805,525	1,091,371
Administrative and support staff	536,756	466,350
Training and education	104,058	90,817
Data management	382,684	348,439
General operations	408,009	462,736
Main repair/maintenance	1,509,094	1,320,700
Contractor services	137,473	205,990
Customer services	1,390,885	1,087,843
Depreciation of structures and improvements	1,033	1,033
Depreciation of transmission mains	394,570	349,989
Depreciation of distribution mains	1,905,392	1,791,675
Depreciation of hydrants and fountains	140,534	140,534
Depreciation of general plant and equipment	115,553	90,275
Total transmission and distribution	\$ 7,831,566	7,447,752
Accounting and collecting expenses:		
Supervision and management	\$ 195,464	174,241
Administrative and support staff	2,638	1,483
Meter reading	131,625	119,618
Billing and accounting	352,519	272,715
Collections	114,448	105,807
Customer services and billing	134,084	144,047
Customer contracts and orders	34,166	32,764
Depreciation of general plant and equipment	1,602	8,036
Total accounting and collecting	\$ 966,546	858,711
Administrative and general expenses:		
Supervision and management	\$ 1,165,451	1,196,893
Administrative and support staff	114,583	87,502
Depreciation of general plant and equipment	20,607	20,649
Total administrative and general	\$ 1,300,641	1,305,044

LINCOLN WATER SYSTEM

Schedule 4

Utility Plant in Service

August 31, 2009

Asset Class	Capital Assets			August 31, 2009	Accumulated Depreciation			August 31, 2009	Net Capital Assets
	August 31, 2008	Increases	Decreases		August 31, 2008	Increases	Decreases		August 31, 2009
Lincoln Water Plant:									
Airport	\$ 42,172	-	-	42,172	(25,323)	(422)	-	(25,745)	16,427
Structures and improvements	40,397,859	376,799	-	40,774,658	(13,612,771)	(921,377)	-	(14,534,148)	26,240,510
Other power and production equipment	-	37,856	-	37,856	-	(946)	-	(946)	36,910
Electric pumping equipment	14,102,889	271,119	(1,117)	14,372,891	(2,671,873)	(338,815)	1,117	(3,009,571)	11,363,320
Purification system	-	-	-	-	1,072	-	-	1,072	1,072
Transmission mains	29,459,773	4,391,162	-	33,850,935	(6,021,575)	(396,141)	-	(6,417,716)	27,433,219
Distribution mains and accessories	119,399,451	8,131,942	-	127,531,393	(21,116,903)	(1,349,621)	-	(22,466,524)	105,064,869
Hydrants	4,844,227	-	-	4,844,227	(3,204,021)	(140,534)	-	(3,344,555)	1,499,672
Office furniture and equipment	1,588,964	15,619	(14,024)	1,590,559	(1,141,230)	(123,165)	14,024	(1,250,371)	340,188
Shop equipment	196,690	-	(15,258)	181,432	(163,297)	(4,653)	15,258	(152,692)	28,740
Laboratory equipment	7,959	-	-	7,959	(486)	(796)	-	(1,282)	6,677
Tools and work equipment	390,227	-	(214,462)	175,765	(346,601)	(11,015)	214,462	(143,154)	32,611
Communications system	1,109,670	73,945	-	1,183,615	(239,912)	(58,282)	-	(298,194)	885,421
Meters	12,164,689	360,467	-	12,525,156	(5,052,910)	(552,977)	-	(5,605,887)	6,919,269
Lincoln depreciable assets	223,704,570	13,658,909	(244,861)	237,118,618	(53,595,830)	(3,898,744)	244,861	(57,249,713)	179,868,905
Land and land rights	1,248,866	291,026	-	1,539,892	-	-	-	-	1,539,892
Lincoln nondepreciable assets	1,248,866	291,026	-	1,539,892	-	-	-	-	1,539,892
Total Lincoln plant	224,953,436	13,949,935	(244,861)	238,658,510	(53,595,830)	(3,898,744)	244,861	(57,249,713)	181,408,797
Ashland Water Plant:									
Structures and improvements	58,930,825	415,711	-	59,346,536	(13,982,943)	(1,446,484)	-	(15,429,427)	43,917,109
Transmission mains	21,930,054	346,861	-	22,276,915	(6,003,332)	(271,334)	-	(6,274,666)	16,002,249
Office furniture and equipment	368,481	-	-	368,481	(335,474)	(5,414)	-	(340,888)	27,593
Shop equipment	17,951	-	-	17,951	(17,951)	-	-	(17,951)	-
Laboratory equipment	362,386	80,491	(57)	442,820	(269,136)	(40,996)	57	(310,075)	132,745
Other power and production equipment	1,893,984	354,733	-	2,248,717	(1,387,052)	(41,579)	-	(1,428,631)	820,086
Electric pumping equipment	11,357,941	-	-	11,357,941	(5,385,094)	(250,861)	-	(5,635,955)	5,721,986
Purification system	25,996,218	17,518	-	26,013,736	(9,546,295)	(785,051)	-	(10,331,346)	15,682,390
Tools and work equipment	148,937	-	-	148,937	(143,108)	(3,052)	-	(146,160)	2,777
Ashland depreciable assets	121,006,777	1,215,314	(57)	122,222,034	(37,070,385)	(2,844,771)	57	(39,915,099)	82,306,935
Land and land rights	3,583,227	-	-	3,583,227	-	-	-	-	3,583,227
Ashland nondepreciable assets	3,583,227	-	-	3,583,227	-	-	-	-	3,583,227
Total Ashland plant	124,590,004	1,215,314	(57)	125,805,261	(37,070,385)	(2,844,771)	57	(39,915,099)	85,890,162
Vehicles and work equipment (all locations)	2,354,526	425,983	-	2,780,509	(1,425,912)	(184,386)	-	(1,610,298)	1,170,211
Utility plant in service	\$ 351,897,966	15,591,232	(244,918)	367,244,280	(92,092,127)	(6,927,901)	244,918	(98,775,110)	268,469,170
Construction in progress	26,510,579	16,726,012	(12,872,757)	30,363,834	-	-	-	-	30,363,834
Total capital assets	\$ 378,408,545	32,317,244	(13,117,675)	397,608,114	(92,092,127)	(6,927,901)	244,918	(98,775,110)	298,833,004

GENERAL STATISTICS

Year Ended August 31, 2009

(Unaudited)

Altitude of Lincoln, Nebraska	1,167 Feet
Area of Lincoln, Nebraska	90.48 Square Miles
Population	255,260 Estimate
Source of Water Supply	Wells
Location of Supply - Platte River, Ashland, Nebraska	
Well Capacity - Ashland	110 Million Gallons
Well Capacity - Lincoln	10 Million Gallons
Treatment of Water - Ashland West Plant	Aeration; Chlorination; Contact Sedimentation and Rapid Sand Filtration
Treatment of Water - Ashland East Plant	Ozonation; Filtration; Chlorination
Rainfall for Year Ended August 31, 2009	26.02
Kind and Size of Main Used	Cast Iron/Ductile Iron/PVC 4 Inches to 54 Inches
Kind and Size of Transmission Mains	
from Ashland to Lincoln	36-Inch Cast Iron 48-Inch Reinforced Concrete
Kind and Size of Transmission Mains	
from Ashland to Greenwood	54-Inch Steel
Length of Transmission Mains	
from Ashland to Lincoln	25.1 Miles
Total Miles of Distribution Mains in Use:	
Miles in use September 1, 2008	1,213.2
Estimated Added During Year	18.0
Estimated Removed During Year	0.9
Total as of August 31, 2009	1,230.3 Miles
Amount of Water Pumped During Year Ended August 31, 2009	11,941,190,000 gallons
Average Daily Consumption of Water	32,715,589 gallons
Average Daily Consumption Per Capita	128 gallons
Total Number of Active Residential Water Customers	
End of Fiscal Year	73,386
Total Number of Active Non-Residential Water Customers	
End of Fiscal Year	4,587
Bonded Debt of Lincoln Water System at August 31, 2009	\$76,280,000

LINCOLN WATER SYSTEM

Schedule 6

TOP TEN CUSTOMERS**Year Ended August 31, 2009**

(Unaudited)

	<u>USAGE</u> (HCF)	<u>AMOUNT</u>
1. University of Nebraska	414,025	\$673,596
2. Archer-Daniels Midland Company	278,191	305,969
3. City of Lincoln	262,184	453,252
4. State of Nebraska	256,449	433,920
5. University of Nebraska Foundation	199,322	219,208
6. Veyance Technologies, Inc.	148,897	171,317
7. BryanLGH Medical Center	146,238	251,832
8. Lincoln Public Schools	122,535	213,990
9. Pfizer Animal Health	121,062	136,805
10. Lincoln Housing Authority	98,087	164,480
Top Ten Users Totals	2,046,990	\$3,024,369



09R-139

Introduce: 8-03-09

RESOLUTION NO. A- 85489

1 WHEREAS, the City Council of Lincoln, Nebraska, is authorized under Section
2 17.22.010 of the Lincoln Municipal Code to establish water use charges for all customers of the
3 Lincoln Water System.

4 WHEREAS, the water rate increases are based upon financial projections which
5 demonstrate the necessity for the increase to support the construction of needed facility
6 improvements, debt service, and the operation and maintenance of the system to provide
7 community-wide water service.

8 WHEREAS, Lincoln's water infrastructure is a necessary component and is required
9 under city charter to be provided to all areas served within the city limits.

10 And WHEREAS, Lincoln's water rates have historically remained low, and even with
11 the proposed rate increases will continue this tradition of competitive rates within the region and
12 nationally.

13 NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Lincoln,
14 Nebraska:

15 Effective with the "H" billing cycle commencing in November 2009 the following
16 schedule of water use charges is hereby established and adopted:

17 SCHEDULE A

18 The following rate schedule shall apply to all residential property. "Residential
19 Property" shall be defined as property consisting of dwelling units. If there is more than one
20 use per master meter on any one property including the residential use, the schedule to be used

1 will be determined as residential, if the residential portion is 50 percent or more of the area of
2 the building.

3 122.0 cents per 100 cubic feet for the first 800 cubic feet of water used per dwelling unit
4 each month.

5 173.5 cents per 100 cubic feet for the next 1500 cubic feet of water used per dwelling
6 unit each month.

7 269.0 cents per 100 cubic feet for all additional water used each month.

8 The monthly Service Charge shall be hereinafter provided.

9 SCHEDULE B

10 The following rate schedule shall apply for the current calendar year to all non-
11 residential property that used less than 12,000,000 cubic feet of water in the previous calendar
12 year:

13 122.0 cents per 100 cubic feet for the first 8000 cubic feet of water used per month.

14 173.5 cents per 100 cubic feet for all additional water used each month.

15 The minimum monthly Service Charge shall be as hereinafter provided.

16 SCHEDULE C

17 The following rate schedule shall apply for the current year to all non-residential
18 property that used more than 12,000,000 cubic feet of water in the previous calendar year. On
19 a calendar year basis, a "base usage" of each high user customer will be determined. The base
20 usage is an average of the water usage of each high user customer for the previous three (3)
21 calendar years.

22 The following fees would apply:

23 115.5 cents per 100 cubic feet for water usage less than base to 5% above base.

24 120.0 cents per 100 cubic feet for water usage 5% - 15% above base.

- 1 124.0 cents per 100 cubic feet for water usage 15% - 25% above base.
- 2 128.0 cents per 100 cubic feet for water usage for all water usage over 25% above base.
- 3 The minimum monthly Service Charge shall be as hereinafter provided.

4 SCHEDULE D - PROVISIONS APPLICABLE -
 5 TO ALL TYPES OF WATER SERVICE

6 Service Charge. There shall be a Service Charge per month to each property using the
 7 Lincoln Water System, determined by the number and size of the water meter, or meters,
 8 serving such property, to-wit:

9		SERVICE CHARGE FOR
10	WATER METER SIZE	WATER METER
11	5/8 inch	\$ 3.10
12	3/4 inch	3.10
13	1 inch	3.10
14	1-1/2 inch	6.20
15	2 inch	12.39
16	3 inch	27.88
17	4 inch	49.56
18	6 inch	111.46
19	8 inch	198.19
20	10 inch	309.65

21 The Service Charge for a multiple dwelling unit or mobile home shall be at least \$1.90
 22 per dwelling unit or mobile home hookup space per month. In those instances where fire
 23 protection considerations dictate that a water meter larger than 1-inch service a single-family
 24 dwelling unit located on a single lot, the monthly service charge shall be \$3.10 per dwelling
 25 unit. A dwelling unit shall, for the purpose of this schedule, be defined as a room or rooms in
 26 which kitchen facilities are provided, located in the building or structure used by a facility or
 27 household as a home or residence of the family or household.

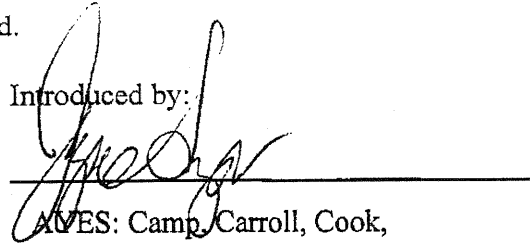
1 WATER RATES TO CUSTOMERS OUTSIDE
2 THE CITY LIMITS

3 Customers located outside the City Limits of Lincoln and served by the water system of
4 the City of Lincoln shall pay no less than the water rates charged to customers within the City
5 Limits of Lincoln for water furnished them by the water system of the City of Lincoln.

6 BE IT FURTHER RESOLVED that Resolution No. A-84989, adopted by the City
7 Council on August 25, 2008, is hereby superseded.

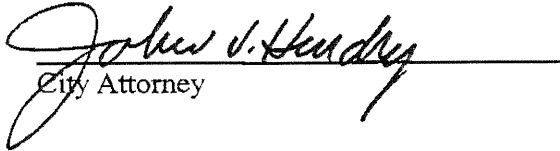
See further Council Proceedings on
next page.

Introduced by:




AYES: Camp, Carroll, Cook,
Emery, Hornung, Snyder, Spatz;
NAYS: None.

Approved as to Form & Legality:


City Attorney

ADOPTED
AUG 24 2009
BY CITY COUNCIL

Approved this 27th day of Aug., 2009:

Mayor

09R-139

8/3/09 Council Proceedings:

COOK Moved to have Public Hearing of Bill No. 09R-139 on 8/10/09 with the Budget Hearing and to have action on 8/24/09.

Seconded by Carroll & carried by the following vote: AYES: Carroll, Cook, Emery, Hornung, Snyder, Spatz; NAYS: None; ABSENT: Camp.

<h1 style="margin: 0;">CITY OF LINCOLN</h1> <p style="margin: 0;">Request for: <input type="checkbox"/> Ordinance <input checked="" type="checkbox"/> Resolution</p>	(Do Not Write in this Space)
	Bill Control No. <u>09R-139</u> Date: <u>7/24</u>
	Docketing Date <u>8/3</u> ; PH: <u>8-10-09</u>
	(To Be Entered by City Clerk)

DATE July 22, 2009	REQUEST MADE BY Greg MacLean	DEPARTMENT Public Works/Utilities
DESIRED DOCKET DATE: 8-3; PH 8-10-09		IF EMERGENCY, GIVE REASON (See Art. 6, Sec. 2 of Charter)
Emergency Measure Required: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		

REASONS OR JUSTIFICATION FOR PROPOSED LEGISLATION

To establish a new schedule for water use charges to increase revenues for the Lincoln Water System for purposes of covering a portion of the System's operational and maintenance costs including debt service, and a portion of the costs of the Capital Improvements Program for F.Y. 2009-10.

FILED
 CITY CLERK'S OFFICE
 2009 JUL 24 AM 9 53
 CITY OF LINCOLN
 NEBRASKA

REQUESTOR <input type="checkbox"/> DOES <input checked="" type="checkbox"/> DOES NOT	WISH TO REVIEW AND APPROVE THIS ORDINANCE PRIOR TO ITS INTRODUCTION	DIRECTOR'S SIGNATURE	DATE <u>7/24/09</u>
--	---	----------------------	------------------------

TO BE USED BY THE FINANCE DEPARTMENT

BUDGET REVIEW	DATE:	ACCOUNT NUMBER AND APPROPRIATE BALANCES	DATE:	FUND AVAILABILITY APPROVED	DATE:
_____ DIRECTOR OF FINANCE SIGNATURE					

DISTRIBUTION
 Return two (2) copies to City Clerk for Docket Number

City Council Introduction: August 3, 2009Bill Number 09R-139Public Hearing: August 10, 2009**FACT SHEET****TITLE:** Proposed Resolution to increase Water Use Charges**SPONSOR:** Public Works/Utilities**OPPONENTS:** Unknown**OTHER DEPARTMENTS AFFECTED:****STAFF RECOMMENDATION:** For**APPLICANT:** Public Works/Utilities

REASON FOR LEGISLATION: To establish a new schedule for water use charges to increase revenues for the Lincoln Water System for purposes of covering a portion of the System's operational and maintenance costs including debt service, and a portion of the costs of the Capital Improvements Program for F.Y. 2009-10. The unit of measurement for water use is 1 HCF (HCF equals 100 cubic feet, which is 748 gallons).

DISCUSSION

The Public Works/Utilities Department recommends that the current schedule of water use charges be increased as shown below. This schedule results in an increase of 5% on an average water bill. For a residential customer, this is an 86¢ increase. The Lincoln Water System is proposing to implement these increases with the "H" billing cycle commencing in November 2009, and ending in January 2010.

<u>Current Schedule</u>	<u>New Schedule</u>
Residential Property:	
116.0¢/HCF for the first 800 C.F. of water per dwelling unit per month	122.0¢
165.0¢/HCF for the first 1,500 C.F. of water per dwelling unit per month	173.5¢
256.0¢/HCF for all additional water used each month	269.0¢
Schedule B Customers:	
116.0¢/HCF for the first 8,000 C.F. of water used each month	122.0¢
165.0¢/HCF for all additional water used each month	173.5¢
Schedule C Customers:	
110.0¢/HCF for water usage less than base to 5% above base	115.5¢
114.0¢/HCF for water usage 5% - 15% above base	120.0¢
118.0¢/HCF for water usage 15% - 25% above base	124.0¢
122.0¢/HCF for water usage for all water usage over 25% above base	128.0¢

FACT SHEET PREPARED BY: *Fran Meyer* Business Manager of Public Works/Utilities

REVIEWED BY: *Greg MacLean* Director of Public Works/Utilities

Quantitative Statistics

Years ended August 31, 2009 and 2008

(Unaudited)

	2009	2008	Increase (decrease)
Water pumpage in one hundred cubic feet: (H.C.F.) by months:			
September	1,497,107	1,781,587	(284,480)
October	1,269,333	1,295,520	(26,187)
November	1,013,053	1,131,547	(118,494)
December	1,052,173	1,061,693	(9,520)
January	1,130,573	1,091,867	38,706
February	931,720	1,044,307	(112,587)
March	1,092,907	1,040,467	52,440
April	1,064,787	1,030,960	33,827
May	1,641,453	1,191,827	449,626
June	1,449,480	1,187,720	261,760
July	2,003,960	1,832,227	171,733
August	1,775,040	2,288,373	(513,333)
Total H.C.F. pumped	15,921,586	15,978,095	(56,509)
H.C.F. sold and donated:			
Customer metered sales	14,934,921	14,698,082	236,839
Used in new building construction (estimated)	10,000	10,000	—
Used in flushing on new sewers, water main construction, etc. (estimated)	5,500	5,500	—
Hydrant permits	30,240	27,748	2,492
Used for testing meters (estimated)	250	250	—
Used by Fire Department (estimated)	3,200	3,200	—
Lawn sprinkling and service shop water (estimated)	100	100	—
Total water accounted for	14,984,211	14,744,880	239,331
Total H.C.F. unaccounted for	937,375	1,233,215	182,822
Percent of H.C.F. unaccounted for	5.88%	7.72%	

LINCOLN WATER SYSTEM

Schedule 9

COMPARATIVE PUMPING REPORT

For Fiscal Years as Shown by Gallons

(Unaudited)

MONTH	August 31, 2009	August 31, 2008	August 31, 2007	August 31, 2006	August 31, 2005
September	1,122,830,000	1,336,190,000	1,116,800,000	1,592,226,000	1,480,430,000
October	952,000,000	971,640,000	1,028,340,000	1,179,390,000	1,128,140,000
November	759,790,000	848,660,000	846,820,000	886,026,000	794,620,000
December	789,130,000	796,270,000	781,050,000	813,837,000	761,380,000
January	847,930,000	818,900,000	808,400,000	806,757,000	809,030,000
February	698,790,000	783,230,000	734,120,000	784,161,000	747,670,000
March	819,680,000	780,350,000	816,570,000	769,778,250	774,520,000
April	798,590,000	773,220,000	831,440,000	904,410,000	844,140,000
May	1,231,090,000	893,870,000	983,130,000	1,190,787,750	1,272,810,000
June	1,087,110,000	890,790,000	1,302,680,000	1,682,034,000	1,436,260,000
July	1,502,970,000	1,374,170,000	2,084,000,000	1,933,509,000	2,139,790,000
August	1,331,280,000	1,716,280,000	1,462,500,000	1,482,170,250	1,632,630,000
Total	11,941,190,000	11,983,570,000	12,795,850,000	14,025,086,250	13,821,420,000

LINCOLN WATER SYSTEM
ANNUAL RAINFALL FOR THE PERIOD OF
September 1, 2008 to August 31, 2009
(Unaudited)

	Inches of <u>Rainfall</u>
September	4.10
October	4.79
November	1.22
December	0.80
January	0.38
February	0.64
March	0.18
April	1.52
May	1.17
June	6.18
July	1.84
August	<u>3.20</u>
TOTAL INCHES FOR FISCAL YEAR	<u>26.02</u>

LINCOLN WATER SYSTEM

WATER ANALYSIS

(All Results in Parts Per Million)
(Collected August 20, 2009)
(Unaudited)

550 W. Cornhusker Hwy.

Hydrogen Ion Concentration (pH)	7.55
Total Dissolved Solids	332 ppm.
Total Iron (Fe)	<0.050 ppm.
Manganese (Mn)	3.25 ppb.
Calcium (as Ca)	49.1 ppm.
Total Alkalinity (CaCO ₃)	162 ppm.
Chloride (Cl)	18.8 ppm.
Fluoride (F)	0.90 ppm.
Nitrate (+Nitrite)	0.46 ppm.
Sodium (Na)	28.9 ppm.
Hardness as (CaCO ₂) Total Hardness	190 ppm.

(All above analysis made in accordance with Standard Methods for Water and Wastewater,
20th Ed.)

Lincoln Water System

Summary of Insurance Coverage

August 31, 2009

(Unaudited)

Type of policy	Insurance coverage	Policy limits	Self-insured retention deductible	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	SEL30117301 & SEL30117401
Automobile Fleet Physical Damage**	Self-Insured	Actual cash value	2,500	2,500		
Building and Contents (Includes Boiler & Machinery)	Blanket policy - buildings and contents	Replacement cost	50,000	2,500	FM Global	FM539
Money and Securities	Inside/outside premises	50,000	500	0	Fidelity & Deposit	CCP0030595
Water Distribution	Water distribution center	25,000,000	50,000	10,000	FM Global	FM539
Data Processing Equipment	Computer equipment, data and media	Replacement cost	50,000	2,500	FM Global	FM539
Equipment Floater (911)	Radio tower floater	Replacement cost	50,000	2,500	FM Global	FM539
Equipment Floater (NON-LIC)	Nonlicensed scheduled equipment	Actual Cash Value	50,000	2,500	FM Global	FM539
General Liability ***	\$6,000,000 occurrence / \$12,000,000 annual aggregate	6,000,000	250,000	0	States	SEL30117301 & SEL30117401
Public Employee Blanket Bond	Employees blanket bond coverage	1,000,000	25,000	0	Fidelity & Deposit	CCP 003 05 95
Public Officials Liability***	\$6,000,000 occurrence / \$12,000,000 annual aggregate	6,000,000	250,000	0	States	SEL30117301 & SEL30117401
Workers' Compensation Excess	Statutory	Statutory	500,000	0	Midwest Employers Casualty (MECC)	EWC007744

** Self-insured for both comp & collision.

*** Public Entity Policy

LINCOLN WATER SYSTEM

Summary of Insurance Coverage

This summary of insurance coverage provides general information regarding the City's casualty-property insurance policies.

AUTOMOBILE INSURANCE

Liability Coverage: Provides coverage for accidents involving all owned, nonowned and hired vehicles. Protects the City against third-party claims from members of the public for bodily injury or property damage.

Physical Damage: Provides comprehensive (other than collision) and collision coverage for City-owned vehicles on a self-insured basis.

PROPERTY INSURANCE

Building and Contents: Provides coverage for damage to City-owned buildings and contents provided the buildings are listed on the City's property schedule.

Boiler and Machinery: Provides coverage for damage to boilers, vessels, steam generators, refrigerating and air conditioning vessels and piping, deep well pump units, turbines and certain machines.

Crime: Coverage for theft, disappearance or destruction of money and securities both inside and outside the premises.

Inland Marine Floaters: Provides physical damage coverage for specifically scheduled property. Current floaters insured include: data processing equipment, radio towers, and nonlicensed equipment.

WATER DISTRIBUTION SYSTEM

Provides coverage for underground pipeline between Lincoln and Ashland.

GENERAL LIABILITY

Provides coverage for general liability (bodily injury and property damage) claims made against the City.

PUBLIC EMPLOYEES BLANKET BOND

Provides coverage for loss of money and securities resulting from employee dishonesty. 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.

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited the financial statements of Lincoln Water System as of and for the year ended August 31, 2009, and have issued our report thereon dated November 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lincoln Water System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lincoln Water System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lincoln Water System's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects Lincoln Water System's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Lincoln Water System's financial statements that is more than inconsequential will not be prevented or detected by Lincoln Water System's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Lincoln Water System's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lincoln Water System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to Lincoln Water System's management in a separate letter dated November 30, 2009.

This report is intended solely for the information and use of the governing body, management and others within Lincoln Water System and is not intended to be and should not be used by anyone other than these specified parties.

BKD, CPA

November 30, 2009