

# Lincoln Wastewater System

2017

Financial Statements  
& Schedules

Fiscal Year Ended  
August 31, 2017



# ANNUAL FINANCIAL REPORT

## DEPARTMENT OF PUBLIC WORKS & UTILITIES

### CITY OFFICIALS

Chris Beutler ..... Mayor

### COUNCIL MEMBERS

Roy Christensen.....Chair

Jane Raybould .....Vice-Chair

Leirion Gaylor Baird

Jon Camp

Carl Eskridge

Cyndi Lamm

Bennie Shobe

### WASTEWATER SYSTEM

Miki Esposito ..... Director of Public Works & Utilities

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

**Lincoln Wastewater System**  
**August 31, 2017 and 2016**

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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, 2017 and 2016, and the related notes to the basic financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 respective financial position of the System's, as of August 31, 2017 and 2016, 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, 2017 and 2016, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

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

*Supplementary Information*

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

**Other Information**

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

*RSM US LLP*

Omaha, Nebraska  
January 17, 2018

## **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, 2017 and 2016. 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 \$9,190,733 in 2017 over 2016 as shown in Table 1.

## Financial Analysis

The following comparative condensed financial statements summarize the System's financial position and operating results for the years ended August 31, 2017, 2016, and 2015.

**Table 1**

### Condensed Statements of Net Position

	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%)
<b>Total assets and deferred outflows or resources</b>	<b>307,124,040</b>	<b>303,229,804</b>	<b>3,894,236</b>	<b>1.28%</b>
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%)
<b>Total liabilities</b>	<b>80,530,894</b>	<b>85,827,391</b>	<b>(5,296,497)</b>	<b>(6.17%)</b>
Net position				
Net investment in capital assets	200,721,006	192,550,935	8,170,071	4.24%
Restricted for debt service	1,007,222	950,824	56,398	5.93%
Restricted for capital acquisition	768,145	791,730	(23,585)	(2.98%)
Unrestricted	24,096,773	23,108,924	987,849	4.27%
<b>Total net position</b>	<b>226,593,146</b>	<b>217,402,413</b>	<b>9,190,733</b>	<b>4.23%</b>
<b>Total liabilities and net position</b>	<b>\$307,124,040</b>	<b>\$303,229,804</b>	<b>3,894,236</b>	<b>1.28%</b>

### 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 2**

**Condensed Statements of Net Position**

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

**Financial Highlights – Fiscal Year 2016**

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

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

	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.

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

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

**Financial Highlights – Fiscal Year 2016**

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

### ***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.

### ***Capital Asset Activity***

The System's investment in capital assets as of August 31, 2017 amounts to \$272,439,877 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment. Major capital asset events during 2017 include Stevens Creek Basin Trunk Sewer for approximately \$2.7 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 \$8,500,000 at August 31, 2017.

### ***Forward-Looking Information***

The approved Capital Improvement Program for Fiscal Year 2017/18 - 2021/22 identifies the need for \$86,607,000 to fund capital improvements for the System. Approximately \$26,050,000 of that total is projected to be funded by revenue bonds. Future user fee increases will be necessary to make the needed improvements possible.

In August 2017, the Lincoln City Council approved a 5% revenue increase, which will be attained through increases in the various service charges.

### ***Contact Information***

This financial report is intended to provide users a general overview of the System's financial performance for 2017 and 2016. 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 10<sup>th</sup> Street, Lincoln, NE 68508.

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

**Statements of Net Position**

**August 31, 2017 and 2016**

<b>Assets and Deferred Outflows of Resources</b>	<b>2017</b>	<b>2016</b>
Current assets:		
Equity in pooled cash and investments	\$ 14,643,679	\$ 13,542,801
Receivables:		
Accounts receivable	2,186,254	2,144,205
Unbilled revenues	2,954,992	2,805,361
Impact fees	768,145	791,730
Total receivables	5,909,391	5,741,296
Inventories	97,275	107,759
Total current assets	20,650,345	19,391,856
Noncurrent assets:		
Equity in pooled cash and investments	5,131,986	5,507,132
Restricted assets:		
Equity in pooled cash and investments	3,364,128	1,896,608
Investments	4,377,535	5,828,073
Total restricted assets	7,741,663	7,724,681
Utility plant:		
Non-depreciable	9,806,537	10,044,841
Depreciable	407,498,434	395,598,767
Less accumulated depreciation	(144,865,094)	(136,300,863)
Net utility plant	272,439,877	269,342,745
Costs recoverable from future billings	597,873	647,385
Total noncurrent assets	285,911,399	283,221,943
Total assets	306,561,744	302,613,799
Deferred outflows of resources:		
Deferred loss on refunding	562,296	616,005
Total assets and deferred outflows of resources	\$ 307,124,040	\$ 303,229,804
<b>Liabilities and Net Position</b>		
Current liabilities:		
Accounts payable	\$ 359,959	\$ 455,661
Accrued liabilities	514,490	652,902
Deposits liability	21,149	8,649
Accrued compensated absences	404,286	398,744
Construction contracts	663,343	768,965
Current maturities of long-term debt	4,839,601	4,761,635
Accrued interest	495,178	515,713
Total current liabilities	7,298,006	7,562,269
Long-term liabilities:		
Accrued liabilities	347,043	314,718
Accrued compensated absences	452,331	399,371
Long-term debt, excluding current maturities, net of premiums	72,433,514	77,551,033
Total long-term liabilities	73,232,888	78,265,122
Total liabilities	80,530,894	85,827,391
Net position:		
Net investment in capital assets	200,721,006	192,550,933
Restricted for debt service	1,007,222	950,824
Restricted for capital acquisition	768,145	791,730
Unrestricted	24,096,773	23,108,926
Total net position	226,593,146	217,402,413
Total liabilities and net position	\$ 307,124,040	\$ 303,229,804

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, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
Operating revenues	\$ 29,599,243	\$ 27,986,580
Operating expenses:		
Plant, pumping and treatment	12,797,574	11,927,197
Operation and maintenance of wastewater lines	6,743,092	6,468,472
Sanitary engineering services	1,707,081	2,026,546
Accounting and collecting	841,036	830,516
Administrative and general	1,223,107	1,117,476
Total operating expenses	23,311,890	22,370,207
Operating income	6,287,353	5,616,373
Nonoperating revenues (expenses):		
Investment income	191,451	345,697
Interest and amortization expense	(2,275,842)	(2,432,373)
Net costs recoverable	(49,512)	(49,512)
FEMA Reimbursements	-	27,347
Net nonoperating expenses	(2,133,903)	(2,108,841)
Increase in net position before capital contributions	4,153,450	3,507,532
Capital contributions from:		
Developers	4,311,872	2,329,460
Tap fees	30,080	32,439
Impact Fees	695,331	661,726
Total capital contributions	5,037,283	3,023,625
Transfers Out	-	(55,994)
Increase in net position	9,190,733	6,475,163
Total net position - beginning	217,402,413	210,927,250
Total net position - ending	\$ 226,593,146	\$ 217,402,413

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, 2017 and 2016**

	2017	2016
Operating activities:		
Receipts from customers and users	\$ 29,443,648	\$ 27,512,421
Payments to suppliers	(6,821,323)	(5,726,953)
Payments to employees	(8,037,681)	(7,954,343)
Net cash provided by operating activities	14,584,644	13,831,125
Noncapital financing activities:		
Transfer (to) from other funds	-	(55,994)
Net cash (used in) noncapital financing activities	-	(55,994)
Capital and related financing activities:		
Acquisition and construction of capital assets	(6,651,766)	(5,519,976)
Principal paid on revenue bonds	(3,650,000)	(3,470,000)
Interest paid on long term debt	(2,619,979)	(2,847,529)
Repayments on NDEQ loan	(1,111,636)	(1,092,314)
Other	-	27,347
Net cash used in capital and related financing activities	(14,033,381)	(12,902,472)
Investing activities:		
Purchases of investments	(20,155,469)	(19,137,687)
Proceeds from investment maturities	19,281,753	18,579,937
Interest on investments	237,878	195,765
Net cash (used in) investing activities	(635,838)	(361,985)
Net increase (decrease) in cash and cash equivalents	(84,575)	510,674
Cash and cash equivalents at beginning of year	918,094	407,420
Cash and cash equivalents at end of year	\$ 833,519	\$ 918,094
Composition of equity in pooled cash and investments (current)		
Cash and cash equivalents	\$ 833,519	\$ 918,094
Investments	17,174,288	14,521,315
Total equity in pooled cash and investments (current)	\$ 18,007,807	\$ 15,439,409
Reconciliation of net operating income to net cash provided by operating activities:		
Operating income	\$ 6,287,353	\$ 5,616,373
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	8,585,690	8,351,146
Changes in operating assets and liabilities:		
Accounts receivable	(168,095)	(474,159)
Inventories	10,484	1,462
Accounts payable	(95,702)	135,373
Accrued liabilities and deposit liability	(93,588)	118,974
Accrued compensated absences	58,502	81,956
Total adjustments	8,297,291	8,214,752
Net cash provided by operating activities	\$ 14,584,644	\$ 13,831,125

Supplemental disclosure of noncash transactions:

Contributed capital improvements of \$4,311,872 and \$2,329,460 were added to utility plant in 2017 and 2016 respectively.

Accounts payable incurred for utility plant purchases were \$663,343 and \$768,965 in 2017 and 2016, 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, 2017 and 2016

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### (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, 2017 and 2016, 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, 2017 and 2016

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## (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, 2017 or 2016.

### ***Restricted Assets***

Certain proceeds of the Systems revenue bonds and resources set aside for their repayment are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants.

### ***Utility Plant (Capital Assets)***

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

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

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

# LINCOLN WASTEWATER SYSTEM

## An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2017 and 2016

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### (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, 2017 and 2016

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## (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 expenditures are incurred.

### ***Unamortized Premium on Revenue Bonds***

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

### ***Inventories***

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

### ***Deferred Outflow of Resources***

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

# LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2017 and 2016

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## (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, 2017 and 2016, respectively:

	<u>August 31, 2017</u>	<u>August 31, 2016</u>
<u>Water Usage</u>	\$1.859	\$1.859
<u>Service Charge</u>		
5/8 inch	\$ 2.80	\$ 2.32
3/4 inch	5.42	4.50
1 inch	9.65	8.01
1 ½ inch	19.14	15.88
2 inch	30.65	25.43
3 inch	57.57	47.77
4 inch	96.02	79.67
6 inch	191.87	159.20
8 inch	307.03	254.75
10 inch	441.50	366.32

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

### **Costs Recoverable from Future Billings**

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

# LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2017 and 2016

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

### ***Net Position Classification***

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

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

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

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

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

### ***Compensated Absences***

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

Compensated absences of the System at August 31, 2017 and 2016 are summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
August 31, 2017	\$798,115	457,246	398,744	856,617	404,286
August 31, 2016	\$716,159	473,526	391,570	798,115	398,744

# LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2017 and 2016

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

### ***Other Post-Employment Benefits (OPEB)***

The System recorded a long-term accrued liability for the net OPEB obligation, which represents the cumulative difference between the annual OPEB cost and employer contributions, of approximately \$347,000 and \$315,000 as of August 31, 2017 and 2016, respectively, in connection with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The complete disclosures required by GASB 45 are included in the City of Lincoln Comprehensive Annual Financial Report (CAFR).

### ***Use of Estimates***

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

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

### ***Deposits***

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

### ***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.

# LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2017 and 2016

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

### ***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, 2017 and 2016

#### (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, 2017 and 2016, the System had the following investments and maturities:

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

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

#### 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, 2017 and 2016, 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, 2017 and 2016

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

##### Concentration of Credit Risk:

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

	<u>2017</u>	<u>2016</u>
U.S. Government Agency Obligations		
Federal Home Loan Bank	16.0%	21.9%

The carrying amount of equity interests in pooled cash and investments at August 31, 2017 and 2016, are:

	<u>2017</u>	<u>2016</u>
Equity in pooled cash and investments	\$23,139,793	\$20,946,541
Percentage of City's Pool	6.4%	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, 2017 and 2016, consisted of:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$278,467	\$190,998
Net change in fair value of investments	(87,016)	154,699
	<u>\$191,451</u>	<u>\$345,697</u>

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

Notes to Financial Statements

August 31, 2017 and 2016

**(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
<b>Total depreciable assets</b>	<b>395,598,767</b>	<b>11,924,511</b>	<b>(24,844)</b>	<b>407,498,434</b>	<b>(136,300,863)</b>	<b>(8,585,690)</b>	<b>21,459</b>	<b>(144,865,094)</b>	<b>262,633,340</b>
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
<b>Total nondepreciable assets</b>	<b>10,044,841</b>	<b>7,071,006</b>	<b>(7,309,310)</b>	<b>9,806,537</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,806,537</b>
<b>Total capital assets</b>	<b>\$ 405,643,608</b>	<b>\$ 18,995,517</b>	<b>\$ (7,334,154)</b>	<b>\$ 417,304,971</b>	<b>\$ (136,300,863)</b>	<b>\$ (8,585,690)</b>	<b>\$ 21,459</b>	<b>\$ (144,865,094)</b>	<b>\$ 272,439,877</b>

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, 2016 and 2015

**(3) Utility Plant**

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

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

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

The composite depreciation rate was approximately 2.11% in 2016.

# LINCOLN WASTEWATER SYSTEM

## An Enterprise Fund of the City of Lincoln, Nebraska

### Notes to Financial Statements

August 31, 2017 and 2016

#### (4) Long-term Liabilities

Long-term debt of the System at August 31, 2017 and 2016 is summarized below:

#### 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>

# LINCOLN WASTEWATER SYSTEM

## An Enterprise Fund of the City of Lincoln, Nebraska

### Notes to Financial Statements

August 31, 2017 and 2016

#### (4) Long-term Liabilities (continued)

**2016**

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

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, 2017 and 2016

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#### (4) Long-term Liabilities (continued)

Maturities and sinking fund requirements on long-term debt at August 31, 2017, are shown below:

Due years ending August 31	Bonds		Loans		Total
	Principal	Interest	Principal	Interest	
2018	\$ 3,705,000	\$ 1,942,150	\$ 1,134,601	\$ 428,902	\$ 7,210,653
2019	3,760,000	1,859,275	1,158,054	405,449	7,182,778
2020	3,845,000	1,769,076	1,182,004	381,498	7,177,578
2021	3,950,000	1,653,525	1,206,464	357,039	7,167,028
2022	4,085,000	1,510,006	1,231,442	332,062	7,158,510
2023 - 2027	22,800,000	5,091,987	6,550,865	1,266,651	35,709,503
2028 - 2032	11,250,000	1,100,975	6,801,552	559,509	19,712,036
2033 - 2034	-	-	1,537,896	34,598	1,572,494
Total	\$53,395,000	\$14,926,994	\$20,802,878	\$3,765,708	\$92,890,580

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

#### **Subsequent Event**

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, 2017 and 2016

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#### (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 \$92,890,580 with annual payments expected to require 47% of net revenues. Principal and interest paid for the current year and net system revenues were \$7,381,615 and \$15,789,905, respectively.

Construction contract payables of the System at August 31, 2017 and 2016 are summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
August 31, 2017	\$ 768,965	663,343	768,965	663,343	663,343
August 31, 2016	\$1,251,089	651,240	1,133,634	768,965	768,965

#### (5) Commitments and Contingencies

Construction Commitments:

The System has commitments under major construction contracts in progress of approximately \$8,500,000 at August 31, 2017.

Risk Management:

The System participates in the City's self-insurance program administered by the City's Risk Management Division (the Division). The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. On behalf of the City, the Division purchases insurance and administers funds for its self-insured program. The Division maintains a workers' compensation fund and a self-insured loss fund. The Division provides first dollar coverage for all liability and workers' compensation exposure with insurance acting as an umbrella for excess coverage. The maximum exposure would be the deductible amounts for property and auto physical damage, as well as losses not covered by insurance. The System had no claims or judgments exceeding the policy limits during each of the last three prior years. Budgeted premium amounts charged to the System are placed in the appropriate fund maintained by the Division. Premium expense was approximately \$553,000 and \$394,000 in 2017 and 2016, respectively.

Litigation:

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

# LINCOLN WASTEWATER SYSTEM

## An Enterprise Fund of the City of Lincoln, Nebraska

### Notes to Financial Statements

August 31, 2017 and 2016

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#### **(6) Related Party Transactions**

The City billed the System approximately \$625,000 and \$535,000 for administrative services during 2017 and 2016, respectively. The System also makes payments to Lincoln Electric System (LES), an enterprise fund of the City of Lincoln, for electricity used at the System's operating locations. Payments to LES totaled approximately \$1,005,000 during 2017 and 2016. Approximately \$90,000 and \$99,000 are included in accounts payable for amounts owed to LES at August 31, 2017 and 2016.

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 \$768,145 and \$791,730 as of August 31, 2017 and 2016, respectively.

#### **(7) Pension Plan**

Employees of the System are participants in the City of Lincoln Employees' Retirement Plan. Plan participation is required if the employee has completed five years of continuous service and attained the age of 40. An employee may voluntarily enter the plan upon attaining age 19 and after completing six months of service. The plan is a defined contribution plan requiring employees to contribute to the plan depending on employee class and date of hire. The System contributes between \$1.29 and \$2.00 for every \$1.00 contributed by employees. Plan participants vest in the City's contributions in year three of participation at 20% up to 100% vested in year seven. Contributions made by the System were approximately \$585,000 and \$564,000 for 2017 and 2016, respectively. Contributions made by the plan members were approximately \$328,000 and \$310,000 for 2017 and 2016, respectively.

SUPPLEMENTARY  
INFORMATION

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

Summary of Long-Term Debt

August 31, 2017

Due years ending August 31	Series 2007		NDEQ Loan (C317247) 2009		NDEQ Loan (C317078) 2009		NDEQ Loan (C317830) 2011		Series 2012		Series 2015		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2018	\$ 720,000	\$ 639,288	\$ 170,605	\$ 31,889	\$ 229,470	\$ 75,228	\$ 734,526	\$ 321,785	\$ 2,250,000	\$ 993,825	\$ 735,000	\$ 309,037	\$ 4,839,601	\$ 2,371,052	\$ 7,210,653
2019	750,000	610,488	172,826	29,668	234,082	70,615	751,146	305,166	2,265,000	954,450	745,000	294,337	4,918,054	2,264,724	7,182,778
2020	780,000	580,488	175,076	27,418	238,787	65,910	768,141	288,170	2,305,000	909,150	760,000	279,438	5,027,004	2,150,574	7,177,578
2021	815,000	549,288	177,355	25,139	243,587	61,111	785,522	270,789	2,360,000	840,000	775,000	264,237	5,156,464	2,010,564	7,167,028
2022	850,000	515,668	179,664	22,831	248,483	56,215	803,295	253,016	2,445,000	745,600	790,000	248,738	5,316,442	1,842,068	7,158,510
2023-2027	4,825,000	1,986,140	934,014	78,459	1,319,371	204,117	4,297,480	984,075	13,695,000	2,185,000	4,280,000	920,847	29,350,865	6,358,638	35,709,503
2028-2032	5,990,000	813,382	690,692	18,040	1,304,689	66,085	4,806,171	475,384	2,500,000	100,000	2,760,000	187,593	18,051,552	1,660,484	19,712,036
2033-2034	-	-	-	-	-	-	1,537,896	34,598	-	-	-	-	1,537,896	34,598	1,572,494
	\$ 14,730,000	\$ 5,694,742	\$ 2,500,232	\$ 233,444	\$ 3,818,469	\$ 599,281	\$ 14,484,177	\$ 2,932,983	\$ 27,820,000	\$ 6,728,025	\$ 10,845,000	\$ 2,504,227	\$ 74,197,878	\$ 18,692,702	\$ 92,890,580

**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
2008	22,347,867	11,393,624	10,954,243	2,415,000	4,030,454	6,445,454	1.70	2,415,000	4,030,454	6,445,454	1.70
2009	22,643,270	11,771,291	10,871,979	2,620,000	3,820,044	6,440,044	1.69	2,620,000	3,820,044	6,440,044	1.69
2010	22,472,096	11,664,594	10,807,502	2,695,000	3,731,444	6,426,444	1.68	2,695,000	3,731,444	6,426,444	1.68
2011	23,546,370	12,543,964	11,002,406	2,785,000	3,607,044	6,392,044	1.72	2,865,000	3,647,609	6,512,609	1.69
2012	24,763,975	12,378,673	12,385,302	2,880,000	3,504,194	6,384,194	1.94	3,137,858	3,655,156	6,793,014	1.82
2013	24,988,276	12,522,160	12,466,116	3,120,000	2,785,825	5,905,825	2.11	3,487,906	3,089,698	6,577,604	1.90
2014	27,049,162	13,337,986	13,711,176	3,245,000	2,638,600	5,883,600	2.33	4,053,916	3,077,999	7,131,915	1.92
2015	28,026,866	13,541,561	14,485,305	2,710,000	2,544,000	5,254,000	2.76	3,747,284	3,114,518	6,861,802	2.11
2016	29,026,441	14,019,060	15,007,381	3,470,000	2,219,023	5,689,023	2.64	4,562,314	2,690,212	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

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

Schedule 3

**Operating Expenses**

**Years ended August 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
Plant, pumping and treatment:		
Theresa Street Treatment Plant:		
Supervision and management	\$ 353,294	\$ 306,553
Administrative and support staff	84,645	86,498
Training and education	37,144	49,694
Data management	485,038	322,847
General operations	1,538,693	1,345,517
Treatment and process control	740,761	707,029
Solids processing	1,295,279	1,272,379
Structures maintenance	233,125	235,665
Process equipment maintenance	553,179	622,616
Control system maintenance	284,511	201,181
Electrical maintenance	105,791	107,005
Grounds maintenance	98,434	116,416
Depreciation of structure and improvement	1,518,906	1,398,792
Depreciation of treatment equipment	1,889,399	1,862,538
Depreciation of shop and lab equipment	2,353	2,067
Depreciation of office/communications equipment	74,337	63,460
<b>Total Theresa Street Treatment Plant</b>	<b>\$ 9,294,889</b>	<b>\$ 8,700,257</b>
Northeast Treatment Plant:		
Supervision and management	\$ 108,067	\$ 85,039
Administrative and support staff	25,161	24,809
Training and education	10,309	10,379
Data management	87,935	80,921
General operations	495,090	517,164
Treatment and process control	164,870	174,325
Solids processing	520,099	357,804
Structures maintenance	99,923	85,036
Process equipment maintenance	220,616	177,034
Control system maintenance	145,777	102,324
Electrical maintenance	84,042	72,846
Grounds maintenance	59,574	63,178
Depreciation of structures and improvements	431,816	432,146
Depreciation of treatment system	581,927	572,591
Depreciation of injection system	25,087	40,755
Depreciation of shop and laboratory equipment	6,231	6,231
Depreciation of office/communications equipment	2,414	2,414
<b>Total Northeast Treatment Plant</b>	<b>\$ 3,068,938</b>	<b>\$ 2,804,996</b>

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

Schedule 3, Cont.

**Operating Expenses, Continued**

**Years ended August 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Liftstations:</b>		
General operations	\$ 84,967	\$ 83,763
Structures maintenance	22,036	20,230
Process equipment maintenance	62,690	49,215
Control system maintenance	21,383	26,363
Electrical maintenance	8,375	9,512
Grounds maintenance	4,967	5,384
Depreciation of liftstations	229,329	227,477
<b>Total liftstations</b>	<b>433,747</b>	<b>421,944</b>
<b>Total plant, pumping and treatment</b>	<b>\$ 12,797,574</b>	<b>\$ 11,927,197</b>
<b>Operation and maintenance of wastewater lines:</b>		
Supervision and management	\$ 419,459	\$ 335,192
Administrative and support staff	58,799	56,936
Training and education	90,694	74,127
Data management	298,593	97,387
General operations	256,602	220,072
Structures maintenance	19,261	13,485
Main repair/maintenance	191,832	154,247
Manhole repair/rehabilitation	138,662	164,458
Customer service	374,286	499,166
Cleaning maintenance	985,952	1,030,757
Field operations	312,578	304,019
Depreciation of treatment equipment	84,599	96,867
Depreciation of meters	269,101	247,473
Depreciation of shop and lab equipment	2,033	2,474
Depreciation of collection system	3,240,641	3,171,812
<b>Total operation and maintenance of wastewater lines</b>	<b>\$ 6,743,092</b>	<b>\$ 6,468,472</b>
<b>Sanitary engineering services:</b>		
Supervision and management	\$ 261,321	\$ 389,092
Administrative and support staff	60,795	61,371
Training and education	16,913	10,727
Data management	120,730	299,003
General operations	70,319	62,116
Laboratory operations	585,405	584,927
Field operations	542,986	568,586
Depreciation of structures and improvements	16,083	16,083
Depreciation of treatment equipment	6,955	5,026
Depreciation of office/communications equipment	2,191	2,666
Depreciation of shop and laboratory equipment	23,383	26,949
<b>Total sanitary engineering services</b>	<b>\$ 1,707,081</b>	<b>\$ 2,026,546</b>

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

Schedule 3, Cont.

**Operating Expenses, Continued**

**Years ended August 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Accounting and collecting:</b>		
Supervision and management	\$ 210,241	\$ 215,430
Administrative and support staff	12,088	11,142
Meter reading	130,232	133,758
Billing and accounting	267,828	243,965
Collections	112,186	120,087
Customer services and billing	73,424	67,488
Customer contracts and orders	35,037	37,454
Depreciation of general plant	-	1,192
<b>Total accounting and collecting</b>	<b>\$ 841,036</b>	<b>\$ 830,516</b>
<b>Administrative and general:</b>		
Supervision and management	\$ 1,046,036	\$ 940,836
Administrative and support staff	133,163	132,018
Delivery service	32,543	33,258
Depreciation of office/communications equipment	11,365	11,364
<b>Total administrative and general</b>	<b>\$ 1,223,107</b>	<b>\$ 1,117,476</b>

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

Schedule 4

Utility Plant in Service

August 31, 2017 and 2016

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	
Theresa Street Plant:									
Structures and improvements	\$ 60,745,010	\$ 668,513	\$ -	\$ 61,413,523	\$ (22,698,613)	\$ (1,386,441)	\$ -	\$ (24,085,054)	\$ 37,328,469
Line equipment	205,211	-	-	205,211	(151,005)	(23,626)	-	(174,631)	30,580
Treatment equipment	45,197,029	2,768,306	-	47,965,335	(25,316,799)	(2,087,764)	-	(27,404,563)	20,560,772
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	(881,351)	(223,965)	-	(1,105,316)	8,565,709
Environmental equipment	376,508	-	-	376,508	(353,752)	(3,986)	-	(357,738)	18,770
Office furniture and equipment	531,887	-	-	531,887	(422,919)	(28,310)	-	(451,229)	80,658
Shop equipment	121,649	5,998	-	127,647	(115,483)	(621)	-	(116,104)	11,543
Communications system	737,983	1,624	-	739,607	(441,915)	(59,584)	-	(501,499)	238,108
Laboratory equipment	674,352	17,310	-	691,662	(580,814)	(23,161)	-	(603,975)	87,687
Meters	5,097,653	515,840	-	5,613,493	(2,994,948)	(269,101)	-	(3,264,049)	2,349,444
<b>Theresa Street depreciable assets</b>	<b>349,035,248</b>	<b>11,641,942</b>	<b>-</b>	<b>360,677,190</b>	<b>(116,280,382)</b>	<b>(7,370,675)</b>	<b>-</b>	<b>(123,651,057)</b>	<b>237,026,133</b>
Land and land rights	4,852,258	86,331	-	4,938,589	-	-	-	-	4,938,589
<b>Theresa Street nondepreciable assets</b>	<b>4,852,258</b>	<b>86,331</b>	<b>-</b>	<b>4,938,589</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,938,589</b>
<b>Total Theresa Street Plant</b>	<b>353,887,506</b>	<b>11,728,273</b>	<b>-</b>	<b>365,615,779</b>	<b>(116,280,382)</b>	<b>(7,370,675)</b>	<b>-</b>	<b>(123,651,057)</b>	<b>241,964,722</b>
Northeast Plant:									
Structures and improvements	\$ 19,332,476	\$ 39,914	\$ -	\$ 19,372,390	\$ (9,785,224)	\$ (435,257)	\$ -	\$ (10,220,481)	\$ 9,151,909
Treatment equipment	21,684,758	86,363	-	21,771,121	(6,533,688)	(537,320)	-	(7,071,008)	14,700,113
Office furniture and equipment	11,413	-	-	11,413	(9,479)	(648)	-	(10,127)	1,286
Shop and work equipment	150,302	-	-	150,302	(119,015)	(6,232)	-	(125,247)	25,055
Communications system	8,827	-	-	8,827	(1,912)	(1,765)	-	(3,677)	5,150
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
Lift stations/force mains	-	-	-	-	1,685	-	-	1,685	1,685
Transmission/work equipment	1,125,400	-	-	1,125,400	(415,065)	(51,336)	-	(466,401)	658,999
<b>Northeast depreciable assets</b>	<b>43,571,878</b>	<b>126,277</b>	<b>-</b>	<b>43,698,155</b>	<b>(17,912,883)</b>	<b>(1,047,475)</b>	<b>-</b>	<b>(18,960,358)</b>	<b>24,737,797</b>
Land and land rights	2,061,042	-	-	2,061,042	-	-	-	-	2,061,042
<b>Northeast nondepreciable assets</b>	<b>2,061,042</b>	<b>-</b>	<b>-</b>	<b>2,061,042</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,061,042</b>
<b>Total Northeast Plant</b>	<b>45,632,920</b>	<b>126,277</b>	<b>-</b>	<b>45,759,197</b>	<b>(17,912,883)</b>	<b>(1,047,475)</b>	<b>-</b>	<b>(18,960,358)</b>	<b>26,798,839</b>
Vehicles and work equipment (all locations)	2,991,641	156,292	(24,844)	3,123,089	(2,107,598)	(167,540)	21,459	(2,253,679)	869,410
Utility plant in service	\$ 402,512,067	\$ 12,010,842	\$ (24,844)	\$ 414,498,065	\$ (136,300,863)	\$ (8,585,690)	\$ 21,459	\$ (144,865,094)	\$ 269,632,971
Construction in progress	3,131,541	6,984,675	(7,309,310)	2,806,906	-	-	-	-	2,806,906
<b>Total capital assets</b>	<b>\$ 405,643,608</b>	<b>\$ 18,995,517</b>	<b>\$ (7,334,154)</b>	<b>\$ 417,304,971</b>	<b>\$ (136,300,863)</b>	<b>\$ (8,585,690)</b>	<b>\$ 21,459</b>	<b>\$ (144,865,094)</b>	<b>\$ 272,439,877</b>

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

**GENERAL STATISTICS**

**Year Ended August 31, 2017**

(Unaudited)

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Altitude of Lincoln, Nebraska.....	1,167 Feet
Area of Lincoln, Nebraska .....	95.09 Square Miles
Population.....	280,364 Estimate
Total Miles of Wastewater Mains & Collector Lines in Use:	
Miles in use September 1, 2016	1,069.9
Estimated Added During Year	37.10
Estimated Removed During Year	—
Total as of August 31, 2017 .....	1,107 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 .....	24.80 million gallons per day
Northeast Treatment Facility .....	3.75 million gallons per day
Total Number of Active Residential Wastewater Customers	
End of Fiscal Year.....	79,037
Total Number of Active Non-Residential Wastewater Customers	
End of Fiscal Year.....	4,442
Total Debt of Lincoln Wastewater System as of August 31, 2017 .....	\$74,197,878

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

**TOP TEN CUSTOMERS**

Year Ended August 31, 2017

(Unaudited)

	<u>USAGE</u> (HCF)	<u>AMOUNT</u>
1. University of Nebraska	463,145	\$983,542
2. State of Nebraska	288,287	581,112
3. Archer-Daniels Midland Company	168,465	341,505
4. University of Nebraska Foundation	129,355	258,898
5. Lincoln Industries	110,727	226,271
6. Bryan Health	100,045	211,846
7. Lincoln Public Schools	87,842	233,139
8. Lincoln Housing Authority	87,578	232,960
9. Zoetis	71,265	147,527
10. City of Lincoln	64,844	159,790
<b>Top Ten User Totals</b>	<b>1,571,553</b>	<b>\$3,376,590</b>

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

## Summary of Insurance Coverage

August 31, 2017

(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	50,000	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	50,000	2,500	FM Global	1015645
Equipment Floater (NON-LIC)	Non-licensed scheduled equipment	Actual Cash Value	50,000	2,500	FM Global	1015645
Equipment Floater (Sanitary)	Inspection scheduled equipment	Replacement cost	50,000	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 <sup>st</sup> Party/3 <sup>rd</sup> Party/Data Breach	3,000,000	50,000		XL Catlin	MTP9034936

\*\* Self-insured for both comp &amp; collision.

\*\*\* Public Entity Policy

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

Summary of Insurance Coverage

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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.