



LINCOLN WASTEWATER SYSTEM



20
23

Financial Statements & Schedules
Fiscal Year Ended August 31, 2023

ANNUAL FINANCIAL REPORT

DEPARTMENT OF TRANSPORTATION AND UTILITIES

CITY OFFICIALS

Leirion Gaylor Baird..... Mayor

COUNCIL MEMBERS

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Sandra Washington..... Vice-Chair

James Michael Bowers

Bennie Shobe

Tom Duden

Justin P. Carlson

Brodey Weber

WASTEWATER SYSTEM

Elizabeth Elliott..... Director of Transportation and Utilities

Donna K. GardenAssistant Director of Utilities

Lincoln Wastewater System

August 31, 2023 and 2022

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Independent Auditor's Report

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

Opinion

We have audited the 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, 2023 and 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Lincoln Wastewater System, an Enterprise Fund of the City of Lincoln, Nebraska, as of August 31, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Lincoln Wastewater System and do not purport to, and do not, present fairly the financial position of the City of Lincoln, Nebraska, as of August 31, 2023 and 2022, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other postemployment benefit information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 audits 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 opinions on the financial statements that collectively comprise the System's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the

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

Other Information

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

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

FORVIS, LLP

Lincoln, Nebraska
February 6, 2024

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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, 2023 and 2022. 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 statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the System, including resources held by the System but restricted for specific purposes by creditors, contributors, or enabling legislation. The System is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

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

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

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

The Statements of Cash Flows

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

The System's Net Position

The System's net position is the difference between its assets plus deferred outflows of resources and liabilities plus deferred inflows of resources reported in the Statements of Net Position. The System's net position increased by \$13,492,590 in 2023 over 2022 as shown in Table 3.

Financial Analysis

The following comparative condensed financial statements summarize the System's financial position and operating results for the years ended August 31, 2023, 2022, and 2021.

Table 1

Condensed Statements of Net Position

	August 31		Change	
	2023	2022	Dollars	Percent
Current assets	\$33,050,464	\$16,031,926	\$17,018,538	106.15%
Capital assets	350,202,177	343,648,843	6,553,334	1.91%
Noncurrent assets	28,967,925	9,360,761	19,607,164	209.46%
Deferred outflows of resources	496,756	578,263	(81,507)	(14.10%)
Total assets and deferred outflows of resources	412,717,322	369,619,793	43,097,529	11.66%
Current liabilities	13,482,758	14,016,599	(533,841)	(3.81%)
Long-term liabilities	101,546,464	71,677,783	29,868,681	41.76%
Deferred inflows of resources	294,345	24,246	270,099	1113.99%
Total liabilities and deferred inflows of resources	115,323,567	85,718,628	29,604,939	34.54%
Net position				
Net investment in capital assets	261,666,684	269,874,411	(8,207,727)	(3.04%)
Restricted for debt service	1,068,616	801,143	267,473	33.39%
Restricted for capital acquisition	1,074,752	365,065	709,687	194.40%
Unrestricted	33,583,703	12,860,546	20,723,157	161.14%
Total net position	297,393,755	283,901,165	13,492,590	4.75%
Total liabilities, deferred inflows of resources and net position	\$412,717,322	\$369,619,793	\$43,097,529	11.66%

Financial Highlights – Fiscal Year 2023

- Increase in Capital Assets mainly due to the completion of the Northeast Treatment Plant Solids Handling and West A Improvements.
- Increase in long-term liabilities due to the issuance of \$36,645,000 in Wastewater revenue bonds, Series 2022 to finance the costs of acquiring, constructing, equipping, and furnishing certain improvements to the City's sanitary sewer system.

Table 2**Condensed Statements of Net Position**

	August 31		Change	
	2022	2021	Dollars	Percent
Current assets	\$16,031,926	\$17,540,401	(\$1,508,475)	(8.60%)
Capital assets	343,648,843	327,132,102	16,516,741	5.05%
Noncurrent assets	9,360,761	12,596,151	(3,235,390)	(25.69%)
Deferred outflows of resources	578,263	673,290	(95,027)	(14.11%)
Total assets and deferred outflows of resources	369,619,793	357,941,944	11,677,849	3.26%
Current liabilities	14,016,599	9,717,005	4,299,594	44.25%
Long-term liabilities	71,677,783	78,177,002	(6,499,219)	(8.31%)
Deferred inflows of resources	24,246	31,926	(7,680)	(24.06%)
Total liabilities and deferred inflows of resources	85,718,628	87,925,933	(2,207,305)	(2.51%)
Net position				
Net investment in capital assets	269,874,411	250,622,990	19,251,421	7.68%
Restricted for debt service	801,143	1,311,500	(510,357)	(38.91%)
Restricted for capital acquisition	365,065	2,964,924	(2,599,859)	(87.69%)
Unrestricted	12,860,546	15,116,597	(2,256,051)	(14.92%)
Total net position	283,901,165	270,016,011	13,885,154	5.14%
Total liabilities, deferred inflows of resources and net position	\$369,619,793	\$357,941,944	\$11,677,849	3.26%

Financial Highlights – Fiscal Year 2022

- Increase in Capital Assets mainly due to the completion of the NE Treatment Plant Dewatering Facility Expansion & Improvements for \$10,237,000 and improvements to Treatments Plant projects, Solid Thickening Improvements \$5,967,000 and Replacement of two Raw Wastewater Pumps \$2,738,738.
- Increase in current liabilities due to increase in accounts payable due to timing of payment of invoices.
- The decrease in Long Term Liabilities is due to the payment of current year debt.

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

	August 31		Change	
	2023	2022	Dollars	Percent
Operating revenues	\$41,397,882	\$38,812,883	\$2,584,999	6.66%
Nonoperating revenues				
Investment income (loss)	225,118	(355,337)	580,455	(163.35%)
Total nonoperating revenues	225,118	(355,337)	580,455	(163.35%)
Total Revenues	41,623,000	38,457,546	3,165,454	8.23%
Operating expenses				
Plant, pumping and treatment	15,923,839	15,195,273	728,566	4.79%
Operation and maintenance of wastewater lines	7,983,975	7,773,653	210,322	2.71%
Sanitary engineering services	1,812,309	1,889,512	(77,203)	(4.09%)
Administrative and accounting	3,365,243	3,121,746	243,497	7.80%
Total operating expenses	29,085,366	27,980,184	1,105,182	3.95%
Nonoperating expenses				
Interest and amortization expense	3,409,087	2,258,193	1,150,894	50.97%
Net costs recoverable	67,422	65,556	1,866	2.85%
Total nonoperating expenses	3,476,509	2,323,749	1,152,760	49.61%
Total Expenses	32,561,875	30,303,933	2,257,942	7.45%
Income before contributions and transfers	9,061,125	8,153,613	907,512	11.13%
Net Transfers Out	(8,361)	(8,173)	(188)	2.30%
Capital contributions	4,439,826	5,739,714	(1,299,888)	(22.65%)
Change in net position	\$13,492,590	\$13,885,154	(\$392,564)	(2.83%)

Financial Highlights – Fiscal Year 2023

- Operating Revenues increased due to November 1, 2022, rate increase.

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

	August 31		Change	
	2022	2021	Dollars	Percent
Operating revenues	\$38,812,883	\$35,635,355	\$3,177,528	8.92%
Nonoperating revenues				
Investment income (loss)	(355,337)	(39,582)	(315,755)	797.72%
Grant, Insurance & FEMA proceeds	-	39,633	(39,633)	100.00%
Total nonoperating revenues	(355,337)	51	(355,388)	(897.72%)
Total Revenues	38,457,546	35,635,406	2,822,140	7.92%
Operating expenses				
Plant, pumping and treatment	15,195,273	15,401,276	(206,003)	(1.34%)
Operation and maintenance of wastewater lines	7,773,653	6,862,760	910,893	13.27%
Sanitary engineering services	1,889,512	1,948,139	(58,627)	(3.01%)
Administrative and accounting	3,121,746	2,766,208	355,538	12.85%
Total operating expenses	27,980,184	26,978,383	1,001,801	3.71%
Nonoperating expenses				
Interest and amortization expense	2,258,193	2,460,141	(201,948)	(8.21%)
Net costs recoverable	65,556	65,556	-	0.00%
Total nonoperating expenses	2,323,749	2,525,697	201,948	(8.21%)
Total Expenses	30,303,933	25,504,080	799,853	2.71%
Income before contributions	8,153,613	6,131,326	2,022,287	32.98%
Net Transfers Out	(8,173)	(8,572)	399	(4.65%)
Net Transfers In	-	1,064,396	(1,064,396)	(100%)
Capital contributions	5,739,714	6,257,529	(517,815)	(8.28%)
Change in net position	\$13,885,154	\$13,444,679	\$ 440,475	3.28%

Financial Highlights – Fiscal Year 2022

- Operating Revenues increased due to November 1, 2021, rate increase and second year of new Biogas revenue source.
- Increase in Operating Expenses due to increase in chemical purchases due to inflation.

Debt Activity

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

In October 2022, the System issued \$36,645,000 in Wastewater Revenue Bonds, Series 2022 to finance the costs of acquiring, constructing, equipping and furnishing certain improvements to the City's sanitary sewer system.

Additional information regarding debt activity can be found in the Notes to Financial Statements, Note 4, of this report.

Capital Asset Activity

The System's investment in capital assets as of August 31, 2023 amounts to \$350,202,177 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment. Additional information regarding capital assets can be found in the Notes to Financial Statements, Note 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. The credit rating received from Standard & Poor's Rating Services is AA+. The credit rating issued by Moody's Rating Services is Aa1 for the Series 2012, 2015, 2017 and 2019. The Series 2022 Bond is not rated by Moody's. 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 \$13,995,000 at August 31, 2023 to be paid with revenues and bond proceeds.

Forward-Looking Information

The approved Capital Improvement Program for Fiscal Year 2023/24 – 2027/2028 identifies the need for \$119,245,000 to fund capital improvements for the System. A portion of that total is projected to be funded by revenue bonds. Future user fee increases will be necessary to make the needed improvements possible.

In August 2022, the Lincoln City Council approved 6% revenue increases effective November 2022 and 2023. This will be attained through increases in the usage rates and service charges.

Contact Information

This financial report is intended to provide users a general overview of the System's financial performance for 2023 and 2022. If you have questions about this report or need additional financial information, please contact the Business Office of the Transportation and Utilities Department at 555 South 10th Street, Suite 208, Lincoln, NE 68508.

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

Statements of Net Position

August 31, 2023 and 2022

Assets and Deferred Outflows of Resources	2023	2022
Current assets:		
Equity in pooled cash and investments	\$ 25,344,228	\$ 9,170,245
Receivables:		
Accounts receivable	2,529,106	3,200,485
Unbilled revenues	4,438,249	2,953,476
Due from other funds	510,049	537,110
Total receivables	7,477,404	6,691,071
Inventories	228,832	170,610
Total current assets	33,050,464	16,031,926
Noncurrent assets:		
Equity in pooled cash and investments	3,718,055	-
Restricted assets:		
Equity in pooled cash and investments	14,268,746	1,603,839
Investments	9,187,642	6,784,639
Impact fees	1,074,752	365,065
Total restricted assets	24,531,140	8,753,543
Utility plant:		
Non-depreciable	19,633,289	30,818,011
Depreciable	532,471,797	504,209,447
Less accumulated depreciation	(201,902,909)	(191,378,615)
Net utility plant	350,202,177	343,648,843
Costs recoverable from future billings	718,730	607,218
Total noncurrent assets	379,170,102	353,009,604
Total assets	412,220,566	369,041,530
Deferred outflows of resources:		
Deferred loss on refunding	388,350	457,205
OPEB related items	108,406	121,058
Total deferred outflows of resources	496,756	578,263
Total assets and deferred outflows of resources	\$ 412,717,322	\$ 369,619,793
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Accounts payable	\$ 3,971,241	\$ 6,041,287
Accrued liabilities	884,878	722,908
Due to other funds	123,121	145,612
Deposits liability	88,649	43,149
Accrued compensated absences	448,644	446,743
Current maturities of long-term debt	7,173,002	6,121,951
Accrued interest payable from restricted assets	793,223	494,949
Total current liabilities	13,482,758	14,016,599
Long-term liabilities:		
Total OPEB liability, excluding current maturities	380,163	579,065
Accrued compensated absences, excluding current maturities	1,104,084	1,164,269
Long-term debt, excluding current maturities	100,062,217	69,934,449
Total long-term liabilities	101,546,464	71,677,783
Total liabilities	115,029,222	85,694,382
Deferred Inflows of Resources		
OPEB related items	294,345	24,246
Total deferred inflows of resources	294,345	24,246
Net position:		
Net investment in capital assets	261,666,684	269,874,411
Restricted for debt service	1,068,616	801,143
Restricted for capital acquisition	1,074,752	365,065
Unrestricted	33,583,703	12,860,546
Total net position	297,393,755	283,901,165
Total liabilities, deferred inflows of resources and net position	\$ 412,717,322	\$ 369,619,793

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, 2023 and 2022

	2023	2022
Operating revenues	\$ 41,397,882	\$ 38,812,883
Operating expenses:		
Plant, pumping and treatment	15,923,839	15,195,273
Operation and maintenance of wastewater lines	7,983,975	7,773,653
Sanitary engineering services	1,812,309	1,889,512
Administrative and accounting	3,365,243	3,121,746
Total operating expenses	29,085,366	27,980,184
Operating income	12,312,516	10,832,699
Nonoperating revenues (expenses):		
Investment income (loss)	225,118	(355,337)
Interest and amortization expense	(3,409,087)	(2,258,193)
Net costs recoverable	(67,422)	(65,556)
Net nonoperating expenses	(3,251,391)	(2,679,086)
Increase in net position before capital contributions	9,061,125	8,153,613
Capital contributions from:		
Developers	3,694,095	4,764,511
Tap fees	36,045	25,062
Impact Fees	709,686	950,141
Total capital contributions	4,439,826	5,739,714
Transfers Out	(8,361)	(8,173)
Increase in net position	13,492,590	13,885,154
Total net position - beginning	283,901,165	270,016,011
Total net position - ending	\$ 297,393,755	\$ 283,901,165

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, 2023 and 2022

	2023	2022
Operating activities:		
Receipts from customers and users	\$ 37,573,153	\$ 39,587,009
Sales tax receipts	2,347,148	2,425,956
Payments to suppliers	(7,800,736)	(7,026,303)
Payments to employees	(8,248,318)	(8,285,666)
Payments for sales tax	(2,468,300)	(2,373,244)
Net cash provided by operating activities	21,402,947	24,327,752
Noncapital financing activities:		
Net transfers to other funds	(8,361)	(8,173)
Net repayments from (payments to) other funds	(110,000)	266,125
Net cash provided by (used in) noncapital financing activities	(118,361)	257,952
Capital and related financing activities:		
Acquisition and construction of capital assets	(14,622,253)	(17,042,618)
Principal paid on revenue bonds	(4,865,000)	(4,685,000)
System funds used for debt issuance costs	(178,934)	-
Interest paid on long term debt	(3,528,647)	(2,704,338)
Repayments on NDEQ loan	(1,256,951)	(1,231,442)
Proceeds from issuance of long-term debt	37,787,459	-
Net cash provided by (used in) capital and related financing activities	13,335,674	(25,663,398)
Investing activities:		
Purchases of investments	(49,878,588)	(12,714,985)
Proceeds from investment maturities	16,789,026	11,067,998
Interest on investments	250,575	132,496
Net cash (used in) investing activities	(32,838,987)	(1,514,491)
Net increase (decrease) in cash and cash equivalents	1,781,273	(2,592,185)
Cash and cash equivalents at beginning of year	156,422	2,748,607
Cash and cash equivalents at end of year	\$ 1,937,695	\$ 156,422
Composition of equity in pooled cash and investments		
Cash and cash equivalents	\$ 1,937,695	\$ 156,422
Investments	41,393,334	10,617,662
Total equity in pooled cash and investments	\$ 43,331,029	\$ 10,774,084
Reconciliation of net operating income to net cash provided by operating activities:		
Operating income	\$ 12,312,516	\$ 10,832,699
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	10,524,294	9,849,440
Changes in operating assets and liabilities:		
Accounts receivable	(1,523,081)	3,179,582
Inventories	(58,222)	(54,817)
Accounts payable	(85,595)	398,297
Accrued liabilities and deposit liability	201,618	(22,456)
Total OPEB Liability	(193,050)	31,094
Deferred Outflows	12,652	26,171
Deferred Inflows	270,099	(7,680)
Accrued compensated absences	(58,284)	95,422
Total adjustments	9,090,431	13,495,053
Net cash provided by operating activities	\$ 21,402,947	\$ 24,327,752

Supplemental disclosure of noncash transactions:

Contributed capital improvements of \$3,694,095 and \$4,764,511 were added to utility plant in 2023 and 2022 respectively.

Accounts payable incurred for utility plant purchases were \$3,283,172 and \$5,267,623 in 2023 and 2022, respectively.

Amortization of debt premiums of \$486,689 and \$470,943 in 2023 and 2022, 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, 2023 and 2022

(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, 2023 and 2022, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Operating Revenues and Expenses

As an enterprise fund, the System distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the System's principal ongoing operations. The principal operating revenues of the System are charges to customers for sales and services. Operating expenses include the 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, 2023 and 2022

(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 bi-monthly cycle basis. 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, 2023 or 2022. Wastewater usage amounts charged together with all other charges and penalties are declared to be a lien on the property until paid.

Restricted Assets

Certain proceeds of the Systems revenue bonds and resources set aside for their repayment are classified as restricted assets on the statements of net position because their use is limited by applicable bond covenants. The Systems impact fees can pay for wastewater treatment and wastewater lines 10-inches and larger.

Utility Plant (Capital Assets)

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

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

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

Deposits and Investments

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

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2023 and 2022

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

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

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

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

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

Capital Contributions

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

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

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

Unamortized Premium on Revenue Bonds

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

Inventories

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

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2023 and 2022

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

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

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 or wastewater used during each cycle. The following rates were in effect as of August 31, 2023 and 2022, respectively:

	<u>August 31, 2023</u>	<u>August 31, 2022</u>
<u>Wastewater Usage</u>	\$ 2.350	\$ 2.217
<u>Service Charge</u>		
5/8 inch	\$ 4.20	\$ 3.96
3/4 inch	8.14	7.68
1 inch	14.49	13.67
1 1/2 inch	28.72	27.09
2 inch	45.99	43.39
3 inch	86.39	81.50
4 inch	144.09	135.93
6 inch	287.93	271.63
8 inch	460.74	434.66
10 inch	662.52	625.02

In August 2022, the Lincoln City Council approved rate increases for the next two years. The first increase of 6% was effective in November 2022 and the second rate increase of 6% will be effective in November 2023.

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2023 and 2022

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

Costs Recoverable from Future Billings

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

Net Position Classification

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

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

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

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

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

Compensated Absences

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

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2023 and 2022

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

Compensated absences of the System at August 31, 2023 and 2022 are summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
August 31, 2023	\$1,611,012	388,459	446,743	1,552,728	448,644
August 31, 2022	\$1,515,590	503,938	408,516	1,611,012	446,743

Use of Estimates

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

Revisions

During 2023, the System revised the presentation of sales tax receipts and payments for sales tax activity for the year ended at August 31, 2022 within the statement of cash flows as follows:

	As Previously Reported	Revision	As Revised
Receipts from customers and users	\$42,012,965	\$(2,425,956)	\$39,587,009
Sales tax receipts	-	2,425,956	2,425,956
Payments to suppliers	(9,399,547)	2,373,244	(7,026,303)
Payments for sales tax	-	(2,373,244)	(2,373,244)

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

(2) Deposits, Investments, and Investment Return

Deposits

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

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2023 and 2022

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

Investments

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

Custodial Credit Risk

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

Fair Value Measurements

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

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

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

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

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

At August 31, 2023 and 2022, the System had the following investments, maturities and fair value measurements:

Type	August 31, 2023				
	Carrying Value	Maturities in Years			Fair Value Measurement
		Less than 1	1 - 5	6 - 10	
U.S. Government Sponsored Agencies	\$7,890,564	\$ -	\$5,428,037	\$2,462,527	Level 2
U.S. Treasury Obligations	\$1,297,078	-	-	\$1,297,078	Level 2
	\$9,187,642	\$ -	\$5,428,037	\$3,759,605	

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2023 and 2022

Type	August 31, 2022				
	Carrying Value	Maturities in Years			Fair Value Measurement
		Less than 1	1-5	6-10	
U.S. Government Sponsored Agencies	\$2,160,048	-	\$2,160,048	-	Level 2
U.S. Treasury Obligations	\$4,624,591	3,274,204	-	\$1,350,387	Level 2
	\$6,784,639	\$3,274,204	\$2,160,048	\$1,350,387	

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of August 31, 2023, and 2022, the System investments in U.S. Government Sponsored Agencies not directly guaranteed by the United States Government were rated AA+ by Standard & Poor's (S & P) and Aaa by Moody's Investors Service (Moody's).

Concentration of Credit Risk

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

	2023	2022
Federal Farm Credit Bank	13.0%	6.5%
Federal Home Loan Mortgage Corporation	2.0%	5.8%

At August 31, 2023 and 2022, the System's investments in U.S. Treasury obligations are not subject to concentration of credit risk disclosure.

The carrying amount of equity interests in pooled cash and investments at August 31, 2023 and 2022, are:

	2023	2022
Equity in pooled cash and investments	\$43,331,029	\$10,774,084

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2023 and 2022

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

Investment Income (Loss)

Investment income (loss) for the years ended August 31, 2023 and 2022, consisted of:

	2023	2022
Interest and dividend income	\$344,076	\$114,854
Net change in fair value of investments	(118,958)	(470,191)
	<u>\$225,118</u>	<u>(\$355,337)</u>

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

Notes to Financial Statements

August 31, 2023 and 2022

(3) Utility Plant

Utility plant is summarized by major classification at August 31, 2023 as follows:

Asset Class	Capital Assets			Accumulated Depreciation				Net Capital Assets	
	August 31, 2022	Increases/ Transfers	Decreases/ Transfers	August 31, 2023	August 31, 2022	Increases	Decreases	August 31, 2023	August 31, 2023
Structures and improvements	\$ 84,646,093	\$ 144,740	\$ -	\$ 84,790,833	\$ (43,488,645)	\$ (1,756,658)	\$ -	\$ (45,245,303)	\$ 39,545,530
Line equipment	362,401	82,454	-	444,855	(242,311)	(29,892)	-	(272,203)	172,652
Treatment equipment	97,543,957	16,606,000	-	114,149,957	(48,358,941)	(3,563,540)	-	(51,922,481)	62,227,476
Collection system	290,728,344	10,059,238	-	300,787,582	(83,742,470)	(3,967,126)	-	(87,709,596)	213,077,986
Lift stations/force mains	9,720,666	-	-	9,720,666	(2,197,174)	(209,550)	-	(2,406,724)	7,313,942
Environmental equipment	476,411	-	-	476,411	(391,891)	(18,092)	-	(409,983)	66,428
Office furniture and equipment	543,300	-	-	543,300	(522,723)	(753)	-	(523,476)	19,824
Shop equipment	440,434	-	-	440,434	(275,329)	(5,805)	-	(281,134)	159,300
Communications system	2,762,888	42,502	-	2,805,390	(1,442,094)	(230,131)	-	(1,672,225)	1,133,165
Laboratory equipment	907,275	50,108	-	957,383	(813,730)	(41,385)	-	(855,115)	102,268
Injection system	658,907	-	-	658,907	(517,971)	(9,913)	-	(527,884)	131,023
Pond and liner	520,132	-	-	520,132	(520,132)	-	-	(520,132)	-
Sludge injection equipment	79,663	-	-	79,663	(79,663)	-	-	(79,663)	-
Transmission/work equipment	1,125,400	-	-	1,125,400	(723,081)	(51,336)	-	(774,417)	350,983
Meters	8,467,609	606,336	-	9,073,945	(4,755,173)	(316,492)	-	(5,071,665)	4,002,280
Vehicles	5,225,967	670,972	-	5,896,939	(3,307,287)	(323,621)	-	(3,630,908)	2,266,031
Total depreciable assets	504,209,447	28,262,350	-	532,471,797	(191,378,615)	(10,524,294)	-	(201,902,909)	330,568,888
Land and land rights	8,242,170	77,578	-	8,319,748	-	-	-	-	8,319,748
Construction in progress	22,575,841	12,600,939	(23,863,239)	11,313,541	-	-	-	-	11,313,541
Total nondepreciable assets	30,818,011	12,678,517	(23,863,239)	19,633,289	-	-	-	-	19,633,289
Total capital assets	\$ 535,027,458	\$ 40,940,867	\$ (23,863,239)	\$ 552,105,086	\$ (191,378,615)	\$ (10,524,294)	\$ -	\$ (201,902,909)	\$ 350,202,177

The composite depreciation rate was approximately 1.98% in 2023.

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

Notes to Financial Statements

August 31, 2023 and 2022

(3) Utility Plant

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

Asset Class	Capital Assets				Accumulated Depreciation				Net Capital Assets	
	August 31, 2021	Increases/ Transfers	Decreases/ Transfers	August 31, 2022	August 31, 2021	Increases	Decreases	August 31, 2022	August 31, 2022	
Structures and improvements	\$ 84,643,953	\$ 2,140	\$ -	\$ 84,646,093	\$ (41,748,396)	\$ (1,740,249)	\$ -	\$ (43,488,645)	\$ 41,157,448	
Line equipment	362,401	-	-	362,401	(222,572)	(19,739)	-	(242,311)	120,090	
Treatment equipment	75,414,837	22,129,120	-	97,543,957	(45,320,528)	(3,038,413)	-	(48,358,941)	49,185,016	
Collection system	284,358,515	6,369,829	-	290,728,344	(79,863,095)	(3,879,375)	-	(83,742,470)	206,985,874	
Lift stations/force mains	9,720,666	-	-	9,720,666	(1,983,186)	(213,988)	-	(2,197,174)	7,523,492	
Environmental equipment	391,061	85,350	-	476,411	(373,314)	(18,577)	-	(391,891)	84,520	
Office furniture and equipment	543,300	-	-	543,300	(521,970)	(753)	-	(522,723)	20,577	
Shop equipment	290,434	150,000	-	440,434	(272,274)	(3,055)	-	(275,329)	165,105	
Communications system	2,639,784	123,104	-	2,762,888	(1,218,785)	(223,309)	-	(1,442,094)	1,320,794	
Laboratory equipment	898,602	8,673	-	907,275	(777,212)	(36,518)	-	(813,730)	93,545	
Injection system	658,907	-	-	658,907	(507,937)	(10,034)	-	(517,971)	140,936	
Pond and liner	520,132	-	-	520,132	(520,132)	-	-	(520,132)	-	
Sludge injection equipment	79,663	-	-	79,663	(79,663)	-	-	(79,663)	-	
Transmission/work equipment	1,125,400	-	-	1,125,400	(671,745)	(51,336)	-	(723,081)	402,319	
Meters	7,935,919	531,690	-	8,467,609	(4,447,132)	(308,041)	-	(4,755,173)	3,712,436	
Vehicles	5,209,198	96,173	(79,404)	5,225,967	(3,080,638)	(306,053)	79,404	(3,307,287)	1,918,680	
Total depreciable assets	474,792,772	29,496,079	(79,404)	504,209,447	(181,608,579)	(9,849,440)	79,404	(191,378,615)	312,830,832	
Land and land rights	8,242,170	-	-	8,242,170	-	-	-	-	8,242,170	
Construction in progress	25,705,739	21,589,499	(24,719,397)	22,575,841	-	-	-	-	22,575,841	
Total nondepreciable assets	33,947,909	21,589,499	(24,719,397)	30,818,011	-	-	-	-	30,818,011	
Total capital assets	\$ 508,740,681	\$ 51,085,578	\$ (24,798,801)	\$ 535,027,458	\$ (181,608,579)	\$ (9,849,440)	\$ 79,404	\$ (191,378,615)	\$ 343,648,843	

The composite depreciation rate was approximately 1.95% in 2022.

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2023 and 2022

(4) Long-term Liabilities

Long-term debt of the System at August 31, 2023 and 2022 is summarized below:

2023

Type of Debt	August 31, 2022	Additions	Reductions	August 31, 2023	Due Within One Year
2.0% Nebraska Department of Environment and Energy (NDEE)* 2009 project loan payable (C317247). Principal and interest payments due semi-annually on June 15 and December 15, with final payment in 2031. (1)	\$ 1,624,705	\$ -	\$ 182,002	\$1,442,703	\$ 184,372
2.0% Nebraska Department of Environment and Energy (NDEE)* 2009 project loan payable (C317078). Principal and interest payments due semi-annually on June 15 and December 15, with final payment in 2032. (1)	2,624,060	-	253,478	2,370,582	258,572
3.25% Nebraska Department of Environment and Energy (NDEE)* 2011 project loan payable (C317830). Principal and interest payments due semi-annually on June 15 and December 15, with final payment in 2034. (1)	10,641,547	-	821,471	9,820,076	840,058
1.0% - 5.0% Wastewater Revenue Refunding Bonds, Series 2012. Interest due semi-annually on June 15 and December 15. Principal payments due annually on June 15 through 2028. Redeemable at par on or after June 15, 2022.	16,195,000	-	2,540,000	13,655,000	2,625,000
1.0% - 4.0% Wastewater Revenue Refunding Bonds, Series 2015. Interest due semi-annually on June 15 and December 15. Principal payments due annually on June 15 through 2030. Redeemable at par on or after June 15, 2025.	7,040,000	-	805,000	6,235,000	830,000
3.0% - 5.0% Wastewater Revenue Refunding Bonds, Series 2017. Interest due semi-annually on June 15 and December 15. Principal payments due annually on June 15 through 2030. Redeemable at par on or after June 15, 2027.	9,800,000	-	820,000	8,980,000	855,000
3.0% - 5.0% Wastewater Revenue Bonds, Series 2019. Interest due semi-annually on June 15 and December 15. Principal payments due annually on June 15 through 2044. Redeemable at par on or after June 15, 2029.	23,805,000	-	700,000	23,105,000	735,000
4.0% - 5.0% Wastewater Revenue Bonds, Series 2022. Interest due semi-annually on June 15 and December 15. Principal payments due annually on June 15 through 2047. Redeemable at par on or after June 15, 2032.	-	36,645,000	-	36,645,000	845,000
Unamortized premium on bonds	4,326,088	1,142,459	486,689	4,981,858	-
	<u>\$76,056,400</u>	<u>\$ 37,787,459</u>	<u>\$6,608,640</u>	<u>\$107,235,219</u>	<u>\$7,173,002</u>

(1) Subject to acceleration if the System defaults (Direct borrowing).

* Nebraska Department of Environment and Energy (NDEE) was previously known as Nebraska Department of Environmental Quality (NDEQ).

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2023 and 2022

(4) Long-term Liabilities (continued)

2022

Type of Debt	August 31, 2021	Additions	Reductions	August 31, 2022	Due Within One Year
2.0% Nebraska Department of Environment and Energy (NDEE)* 2009 project loan payable (C317247). Principal and interest payments due semi-annually on June 15 and December 15, with final payment in 2031. (1)	\$ 1,804,369	\$ -	\$ 179,664	\$1,624,705	\$ 182,002
2.0% Nebraska Department of Environment and Energy (NDEE)* 2009 project loan payable (C317078). Principal and interest payments due semi-annually on June 15 and December 15, with final payment in 2032. (1)	2,872,543	-	248,483	2,624,060	253,478
3.25% Nebraska Department of Environment and Energy (NDEE)* 2011 project loan payable (C317830). Principal and interest payments due semi-annually on June 15 and December 15, with final payment in 2034. (1)	11,444,842	-	803,295	10,641,547	821,471
1.0% - 5.0% Wastewater Revenue Refunding Bonds, Series 2012. Interest due semi-annually on June 15 and December 15. Principal payments due annually on June 15 through 2028. Redeemable at par on or after June 15, 2022.	18,640,000	-	2,445,000	16,195,000	2,540,000
1.0% - 4.0% Wastewater Revenue Refunding Bonds, Series 2015. Interest due semi-annually on June 15 and December 15. Principal payments due annually on June 15 through 2030. Redeemable at par on or after June 15, 2025.	7,830,000	-	790,000	7,040,000	805,000
3.0% - 5.0% Wastewater Revenue Refunding Bonds, Series 2017. Interest due semi-annually on June 15 and December 15. Principal payments due annually on June 15 through 2030. Redeemable at par on or after June 15, 2027.	10,585,000	-	785,000	9,800,000	820,000
3.0% - 5.0% Wastewater Revenue Bonds, Series 2019. Interest due semi-annually on June 15 and December 15. Principal payments due annually on June 15 through 2044. Redeemable at par on or after June 15, 2029.	24,470,000	-	665,000	23,805,000	700,000
Unamortized premium on bonds	4,797,031	-	470,943	4,326,088	-
	<u>\$82,443,785</u>	<u>\$ -</u>	<u>\$6,387,385</u>	<u>\$76,056,400</u>	<u>\$6,121,951</u>

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

(1) Subject to acceleration if the System defaults (Direct borrowing).

* Nebraska Department of Environment and Energy (NDEE) was previously known as Nebraska Department of Environmental Quality (NDEQ).

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2023 and 2022

(4) Long-term Liabilities (continued)

Maturities and sinking fund requirements on long-term debt at August 31, 2023, are shown below:

Due years ending August 31	Bonds		Loans		Total
	Principal	Interest	Principal	Interest	
2024	\$ 5,890,000	\$ 3,520,388	\$ 1,283,002	\$ 280,501	\$10,973,891
2025	6,150,000	3,268,737	1,309,608	253,896	10,982,241
2026	6,420,000	3,005,688	1,336,778	226,725	10,989,191
2027	6,680,000	2,736,147	1,364,527	198,977	10,979,651
2028	6,400,000	2,440,698	1,392,865	170,638	10,404,201
2029-2033	16,905,000	9,646,970	6,436,141	417,727	33,405,838
2034-2038	13,465,000	6,644,613	510,440	5,742	20,625,795
2039-2043	16,220,000	3,893,113	-	-	20,113,113
2044-2047	10,490,000	1,012,619	-	-	11,502,619
Total	\$88,620,000	\$36,168,972	\$13,633,361	\$1,554,206	\$ 139,976,539

The System has entered into a loan agreement with NDEE 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 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 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%. In addition, an administrative fee of 1% will be incurred on the loan. The terms of the project loan payables are reflected in the summary of long-term debt.

The City has pledged future revenues derived from the operation of the System, net of operating and maintenance expenses, to repay all outstanding 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 2047. The total principal and interest remaining to be paid on the bonds and loans is \$139,976,539 with annual payments expected to require approximately 41% of net revenues. Principal and interest paid for the current year and net system revenues were \$9,546,222 and \$23,807,659 respectively.

In October 2022, the System issued \$36,645,000 in Wastewater Revenue Bonds, Series 2022 to finance the costs of acquiring, constructing, equipping and furnishing certain improvements to the City's sanitary system.

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2023 and 2022

(5) Commitments and Contingencies

Construction Commitments:

The System has commitments under major construction contracts in progress of approximately \$13,995,000 at August 31, 2023 to be paid with revenues and bond proceeds.

Risk Management:

The System participates in the City's self-insurance program administered by the City's Risk Management Division (the Division). The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. On behalf of the City, the Division purchases insurance and administers funds for its self-insured program. The Division maintains a workers' compensation fund and a self-insured loss fund. The Division provides first dollar coverage for all liability and workers' compensation exposure with insurance acting as an umbrella for excess coverage. The maximum exposure would be the deductible amounts for property and auto physical damage, as well as losses not covered by insurance. The City had no claims or judgments exceeding the policy limits during each of the last three prior years. Budgeted premium amounts charged to the System are placed in the appropriate fund maintained by the Division. Premium expense was approximately \$475,000 and \$432,000 in 2023 and 2022, 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.

(6) Related Party Transactions

The City billed the System approximately \$805,000 and \$763,000 for administrative services for fiscal years 2023 and 2022, 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 \$1,542,000 and \$1,416,000 during 2023 and 2022, respectively. At August 31, 2023 and 2022, approximately \$163,000 and \$121,000, respectively are included in accounts payable for amounts owed to LES for electricity used.

A special revenue fund of the City collects and holds impact fees until they are distributed in accordance with City ordinance. The System was due impact fees of \$1,074,752 and \$365,065 as of August 31, 2023 and 2022, respectively.

The City of Lincoln general fund borrowed monies from the pooled cash and investment account. The System's allocated share of the borrowing is \$288,566 and \$329,207 as of August 31, 2023 and 2022, respectively. This amount is reflected as a current asset and is included in Due from Other Funds on the Statements of Net Position.

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2023 and 2022

(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 \$535,000 and \$538,000 for 2023 and 2022, respectively. Contributions made by the plan members were approximately \$331,000 and \$313,000 for 2023 and 2022, respectively.

(8) Other Postemployment Benefits (OPEB)

Total OPEB liability activity for the years ended August 31, 2023 and 2022 are summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
August 31, 2023	\$ 591,981	\$ -	\$ 193,050	\$ 398,931	\$ 18,768
August 31, 2022	560,887	44,079	12,985	591,981	12,916

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

Plan Description

The City offers employees and their families the opportunity to continue their health care coverage when there is a qualifying event, such as retirement, that would result in a loss of coverage under the City's plan. Each qualified beneficiary pays the entire cost of premiums for the continuous coverage. The City recognizes as OPEB the implicit rate subsidy provided to retirees when their premium is the "full cost" of the insurer's charge for the active population. Since the retirees have higher costs, the premium they pay is not expected to cover their costs, and the difference is essentially covered by the City's payment for active employees. The City plan is a single-employer defined benefit plan. The City does not issue a separate report that includes financial statements and required supplementary information for OPEB. The City's Annual Comprehensive Financial Report (ACFR) may be obtained by writing to the City of Lincoln, Finance Department, 555 South 10th Street, Lincoln, NE 68508.

The System accounts for and reports its participation in the City's single-employer plan as if it was a cost-sharing plan. The System's proportionate share of the total OPEB liability was based on the System's share of active employees relative to all active City employees. At August 31, 2023 and 2022, the System's proportion was 2.36% and 2.06%, respectively.

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2023 and 2022

(8) Other Postemployment Benefits (OPEB) (continued)

Funding Policy

The plan is a pay-as-you-go and therefore, is not funded. There are no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB 75 in connection with the plan.

Actuarial Methods and Assumptions

The total OPEB liability at August 31, 2023 was measured as of August 31, 2022. The actuarial valuation was prepared as of August 31, 2022. The total OPEB liability as of August 31, 2023 is based on the following actuarial assumptions and other inputs:

Actuarial Assumptions - FY 2023

Price Inflation	2.25%
Municipal Bond Index Rate	3.38%, monthly average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rate
Health Care Cost Trend Rate	7.00%, decreasing by 0.25% per year until an ultimate rate of 4.50% is reached in 2032
Cost-Sharing Premiums	Premiums, effective as of November 1, 2022, were trended backward to August 31, 2022. Civilian premium rates were based on the base plan and the combined rate for Police and Fire was based on an average for the Police group and Fire group. Premiums trended to August 31, 2022 Police / Fire Retiree - \$10,687 Police / Fire Spouse - \$13,039 Civilians Retiree - \$9,542 Civilians Spouse - \$11,640
Mortality	General Pub-2010 Tables used for Civilians and Safety Pub-2010 Tables used for Police and Fire with generational mortality improvement using the Nebraska Public Retirement System Mortality Improvement Scale.

The Police and Fire demographic actuarial assumptions used in the August 31, 2022 valuation are consistent with those used in the valuation of the Lincoln Police and Fire Pension Plan at that time, which were based on the actuarial experience study covering the four-year period ending August 31, 2018.

The Civilian mortality rate assumption aligns with the Pub-2010 Mortality Tables used for Police and Fire, except they are based on the General population tables to better align with the respective employment groups. Due to the size of the plan and lack of available data to analyze, the withdrawal rates are based on The Basic Service Table from the 2003 SOA Pension Plan Turnover Study and the disability rates are based on rates observed in similar types of plans. The retirement rates were unchanged from the prior valuation as we believe they are reasonable estimates of future experience.

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

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2023 and 2022

(8) Other Postemployment Benefits (OPEB) (continued)

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

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

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

The Civilian mortality rate assumption aligns with the Pub-2010 Mortality Tables used for Police and Fire, except they are based on the General population tables to better align with the respective employment groups. Due to the size of the plan and lack of available data to analyze, the withdrawal rates are based on The Basic Service Table from the 2003 SOA Pension Plan Turnover Study and the disability rates are based on rates observed in similar types of plans. The retirement rates were unchanged from the prior valuation as we believe they are reasonable estimates of future experience.

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

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2023 and 2022

(8) Other Postemployment Benefits (OPEB) (continued)

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

At August 31, 2023 and 2022, the System reported a total OPEB liability of \$398,931 and \$591,981, respectively, for its proportionate share of the collective total OPEB liability for the City. For the years ended August 31, 2023 and 2022, the System recognized OPEB expense of \$30,898 and \$61,367, respectively, and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Benefit payments subsequent to the measurement date	\$ 7,064	\$ -
Differences between expected and actual experience	3,819	245,035
Changes in assumptions	97,523	49,310
Total	<u>\$ 108,406</u>	<u>\$ 294,345</u>
	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Benefit payments subsequent to the measurement date	\$ 12,916	\$ -
Differences between expected and actual experience	4,045	2,192
Changes in assumptions	104,097	22,054
Total	<u>\$ 121,058</u>	<u>\$ 24,246</u>

The deferred outflows of resources related to OPEB resulting from the System's benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ending August 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2023 and 2022

(8) Other Postemployment Benefits (OPEB) (continued)

Year Ending August 31,	Deferred Outflows of Resources	Deferred Inflows of Resources
2023	\$ 22,440	\$ (50,478)
2024	22,440	(48,311)
2025	22,440	(43,603)
2026	21,178	(41,428)
2027	12,844	(41,428)
Thereafter	-	(69,097)
	<u>\$ 101,342</u>	<u>\$ (294,345)</u>

Sensitivity of the Total OPEB Liability to Changes in the Rates

The following presents the System's proportionate share of the total OPEB liability calculated using health care cost trend rates ranging from 7.00% in 2022 and trending downward to 4.50% in 2032, as well as the System's proportionate share of the total OPEB liability calculated using trend rates that are 1% lower and 1% higher than the current rates:

	1% Decrease	Current Trend	1% Increase
Total OPEB Liability August 31, 2023	\$ 351,673	\$ 398,931	\$ 455,278

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

	1% Decrease	Current Trend	1% Increase
Total OPEB Liability August 31, 2022	\$ 506,539	\$ 591,981	\$ 686,018

The following presents the System's proportionate share of the total OPEB liability, calculated using the discount rate of 3.38% and 2.12% as of August 31, 2023 and 2022, respectively, as well as the System's proportionate share of the total OPEB liability calculated using a discount rate that is 1% lower or 1% higher than the current rate:

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2023 and 2022

(8) Other Postemployment Benefits (OPEB) (continued)

	1% Decrease 2.38%	Current Rate 3.38%	1% Increase 4.38%
Total OPEB Liability August 31, 2023	\$ 440,994	\$ 398,931	\$ 361,258
	1% Decrease 1.12%	Current Rate 2.12%	1% Increase 3.12%
Total OPEB Liability August 31, 2022	\$ 654,866	\$ 591,981	\$ 535,451

REQUIRED SUPPLEMENTARY
INFORMATION

LINCOLN WASTEWATER SYSTEM
An Enterprise Fund of the City of Lincoln, Nebraska
Schedule of the System's Proportionate Share of the Total Other Postemployment Benefit (OPEB)
Liability Measurement Period Ending August 31, 2023

	2022	2021	2020	2019	2018	2017
The System's proportion of the total OPEB liability	2.36%	2.06%	2.08%	2.40%	2.45%	2.81%
The System's proportionate share of the total OPEB liability	\$ 398,931	\$ 591,981	\$ 560,877	\$ 481,220	\$ 437,946	\$ 527,965
The System's covered payroll	\$ 3,771,367	\$ 3,144,056	\$ 3,129,183	\$ 3,486,660	\$ 3,436,838	\$ 3,893,147
The System's proportionate share of the total OPEB liability as a percentage of its covered payroll	10.58%	18.83%	17.92%	13.80%	12.74%	13.56%

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

Notes to Schedule:

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

Changes in actuarial assumptions:

August 31, 2022 valuation – The discount rate has changed from 2.12% to 3.38% due to a change in the municipal bond rate. The trend rate assumption was adjusted to 7.00% in the first year, decreasing by 0.25% per year until an ultimate rate of 4.50% is reached in 2032.

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

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

in the first year, decreasing by 0.25% per year until an ultimate rate of 4.50% is reached in 2030.

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

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

August 31, 2017 valuation – The discount rate has changed from 2.85% to 3.53% due to a change in the municipal bond rate.

SUPPLEMENTARY
INFORMATION

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

Summary of Long-Term Debt

August 31, 2023

Due years ending August 31	NDEQ Loan (C317247) 2009		NDEQ Loan (C317078) 2009		NDEQ Loan (C317830) 2011		Series 2012		Series 2015		Series 2017		Series 2019		Series 2022		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2024	\$ 184,372	\$ 18,123	\$ 258,572	\$ 46,125	\$ 840,058	\$ 216,253	\$ 2,625,000	\$ 546,200	\$ 830,000	\$ 208,788	\$ 855,000	\$ 319,688	\$ 735,000	\$ 797,300	\$ 845,000	\$ 1,648,413	\$ 7,173,002	\$ 3,800,889	\$ 10,973,891
2025	186,772	15,723	263,770	40,928	859,066	197,245	2,735,000	441,200	855,000	183,887	905,000	276,938	770,000	760,550	885,000	1,606,163	7,459,608	3,522,633	10,982,241
2026	189,203	13,292	269,071	35,626	878,504	177,807	2,845,000	331,800	885,000	158,238	950,000	231,688	810,000	722,050	930,000	1,561,913	7,756,778	3,232,413	10,989,191
2027	191,666	10,829	274,480	30,218	898,381	157,930	2,950,000	218,000	905,000	136,997	995,000	184,188	850,000	681,550	980,000	1,515,413	8,044,527	2,935,124	10,979,651
2028	194,160	8,334	279,997	24,701	918,708	137,603	2,500,000	100,000	945,000	100,798	1,040,000	134,438	890,000	639,050	1,025,000	1,466,413	7,792,865	2,611,336	10,404,201
2029 - 2033	496,530	9,706	1,024,692	41,384	4,914,919	366,637	-	-	1,815,000	86,795	4,235,000	294,963	4,895,000	2,756,400	5,960,000	6,508,813	23,341,141	10,064,697	33,405,838
2034 - 2038	-	-	-	-	510,440	5,742	-	-	-	-	-	-	5,870,000	1,781,550	7,595,000	4,863,063	13,975,440	6,650,355	20,625,795
2039 - 2043	-	-	-	-	-	-	-	-	-	-	-	-	6,800,000	846,750	9,420,000	3,046,363	16,220,000	3,893,113	20,113,113
2044 - 2047	-	-	-	-	-	-	-	-	-	-	-	-	1,485,000	44,550	9,005,000	968,069	10,490,000	1,012,619	11,502,619
	\$ 1,442,703	\$ 76,007	\$ 2,370,582	\$ 218,982	\$ 9,820,076	\$ 1,259,217	\$ 13,655,000	\$ 1,637,200	\$ 6,235,000	\$ 875,503	\$ 8,980,000	\$ 1,441,900	\$ 23,105,000	\$ 9,029,750	\$ 36,645,000	\$ 23,184,619	\$102,253,361	\$37,723,178	\$139,976,539

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
2014	27,049,162	13,337,986	13,711,176	3,245,000	2,638,600	5,883,600	2.33	4,053,916	3,077,999	7,131,915	1.92
2015	28,026,866	13,541,561	14,485,305	2,710,000	2,544,000	5,254,000	2.76	3,747,284	3,114,518	6,861,802	2.11
2016	29,026,441	14,019,060	15,007,381	3,470,000	2,219,023	5,689,023	2.64	4,562,314	2,690,212	7,252,525	2.07
2017	30,516,105	14,726,200	15,789,905	3,650,000	2,017,875	5,667,875	2.79	4,761,636	2,619,979	7,381,615	2.14
2018	32,381,312	14,863,221	17,518,091	3,465,000	1,789,583	5,254,583	3.33	4,599,602	2,361,501	6,961,103	2.52
2019	33,903,796	15,684,880	18,218,916	3,700,000	1,735,125	5,435,125	3.35	4,858,054	2,164,027	7,022,081	2.59
2020	34,260,409	17,071,500	17,188,909	4,485,000	2,478,626	6,963,626	2.47	5,667,004	2,860,124	8,527,128	2.02
2021	36,556,660	17,269,392	19,287,268	4,530,000	2,424,275	6,954,275	2.77	5,736,464	2,781,314	8,517,778	2.26
2022	39,432,749	18,130,744	21,302,005	4,685,000	2,259,826	6,944,826	3.07	5,916,442	2,591,888	8,508,330	2.50
2023	42,368,731	18,561,072	23,807,659	4,865,000	3,117,719	7,982,719	2.98	6,121,951	3,424,271	9,546,222	2.49

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

Schedule 3

Utility Plant in Service

August 31, 2023

Asset Class	Capital Assets				Accumulated Depreciation				Net Capital Assets	
	August 31, 2022	Increases/ Transfers	Decreases/ Transfers	August 31, 2023	August 31, 2022	Increases	Decreases	August 31, 2023	August 31, 2023	
Theresa Street Plant:										
Structures and improvements	\$ 65,255,392	\$ 144,740	\$ -	\$ 65,400,132	\$ (31,176,290)	\$ (1,346,977)	\$ -	\$ (32,523,267)	\$	32,876,865
Line equipment	362,401	82,454	-	444,855	(242,311)	(29,892)	-	(272,203)		172,652
Treatment equipment	72,202,533	311,659	-	72,514,192	(38,535,724)	(2,842,579)	-	(41,378,303)		31,135,889
Collection system	290,728,344	10,059,238	-	300,787,582	(83,742,470)	(3,967,126)	-	(87,709,596)		213,077,986
Lift stations/force mains	9,720,666	-	-	9,720,666	(2,198,859)	(209,550)	-	(2,408,409)		7,312,257
Environmental equipment	476,411	-	-	476,411	(391,891)	(18,092)	-	(409,983)		66,428
Office furniture and equipment	531,887	-	-	531,887	(511,516)	(753)	-	(512,269)		19,618
Shop equipment	290,132	-	-	290,132	(125,677)	(5,805)	-	(131,482)		158,650
Communications system	2,754,061	42,502	-	2,796,563	(1,433,267)	(230,131)	-	(1,663,398)		1,133,165
Laboratory equipment	907,275	50,108	-	957,383	(813,730)	(41,385)	-	(855,115)		102,268
Meters	8,467,609	606,336	-	9,073,945	(4,755,173)	(316,492)	-	(5,071,665)		4,002,280
Theresa Street depreciable assets	451,696,711	11,297,037	-	462,993,748	(163,926,908)	(9,008,782)	-	(172,935,690)		290,058,058
Land and land rights	6,181,128	-	-	6,181,128	-	-	-	-		6,181,128
Theresa Street nondepreciable assets	6,181,128	-	-	6,181,128	-	-	-	-		6,181,128
Total Theresa Street Plant	457,877,839	11,297,037	-	469,174,876	(163,926,908)	(9,008,782)	-	(172,935,690)		296,239,186
Northeast Plant:										
Structures and improvements	\$ 19,390,701	\$ -	\$ -	\$ 19,390,701	\$ (12,312,355)	\$ (409,681)	\$ -	\$ (12,722,036)	\$	6,668,665
Treatment equipment	25,341,424	16,294,341	-	41,635,765	(9,823,217)	(720,961)	-	(10,544,178)		31,091,587
Office furniture and equipment	11,413	-	-	11,413	(11,207)	-	-	(11,207)		206
Shop and work equipment	150,302	-	-	150,302	(149,652)	-	-	(149,652)		650
Communications system	8,827	-	-	8,827	(8,827)	-	-	(8,827)		-
Injection system	658,907	-	-	658,907	(517,971)	(9,913)	-	(527,884)		131,023
Pond and liner	520,132	-	-	520,132	(520,132)	-	-	(520,132)		-
Sludge injection equipment	79,663	-	-	79,663	(79,663)	-	-	(79,663)		-
Lift stations/force mains	-	-	-	-	1,685	-	-	1,685		1,685
Transmission/work equipment	1,125,400	-	-	1,125,400	(723,081)	(51,336)	-	(774,417)		350,983
Northeast depreciable assets	47,286,769	16,294,341	-	63,581,110	(24,144,420)	(1,191,891)	-	(25,336,311)		38,244,799
Land and land rights	2,061,042	77,578	-	2,138,620	-	-	-	-		2,138,620
Northeast nondepreciable assets	2,061,042	77,578	-	2,138,620	-	-	-	-		2,138,620
Total Northeast Plant	49,347,811	16,371,919	-	65,719,730	(24,144,420)	(1,191,891)	-	(25,336,311)		40,383,419
Vehicles and work equipment (all locations)	5,225,967	670,972	-	5,896,939	(3,307,287)	(323,621)	-	(3,630,908)		2,266,031
Utility plant in service	\$ 512,451,617	\$ 28,339,928	\$ -	\$ 540,791,545	\$ (191,378,615)	\$ (10,524,294)	\$ -	\$ (201,902,909)	\$	338,888,636
Construction in progress	22,575,841	12,600,939	(23,863,239)	11,313,541	-	-	-	-		11,313,541
Total capital assets	\$ 535,027,458	\$ 40,940,867	\$ (23,863,239)	\$ 552,105,086	\$ (191,378,615)	\$ (10,524,294)	\$ -	\$ (201,902,909)	\$	350,202,177

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

GENERAL STATISTICS

Year Ended August 31, 2023

(Unaudited)

Altitude of Lincoln, Nebraska	1,167 Feet
Area of Lincoln, Nebraska	100.51 Square Miles
Population	295,501 Estimate
Total Miles of Wastewater Mains & Collector Lines in Use:	
Miles in use September 1, 2023	1,130
Estimated Added During Year	7
Estimated Removed During Year	—
Total as of August 31, 2023	1,137 Miles
Number of Wastewater Lift (Pumping) Stations:	16
Number of Stormwater Pumping Stations:	4
Plant Capacity:	
Theresa Street Treatment Facility	28 million gallons per day
Northeast Treatment Facility	10.0 million gallons per day
Average Daily Flow:	
Theresa Street Treatment Facility	21.7 million gallons per day
Northeast Treatment Facility	5.1 million gallons per day
Total Number of Active Residential Wastewater Customers	
End of Fiscal Year	85,048
Total Number of Active Non-Residential Wastewater Customers	
End of Fiscal Year	4,744
Total Debt of Lincoln Wastewater System as of August 31, 2023	\$102,253,361

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

TOP TEN CUSTOMERS

Year Ended August 31, 2023

(Unaudited)

	<u>USAGE</u> (HCF)	<u>AMOUNT</u> (\$)
1. University of Nebraska	409,820	\$941,928
2. State of Nebraska	272,131	629,232
3. Archer Daniels Midland Company	120,495	279,095
4. Lincoln Industries	101,906	236,094
5. Bryan Health	99,251	229,818
6. Smithfield Packaged Meats	94,047	217,461
7. Lincoln Public Schools	91,708	209,778
8. AH 42 LLC	90,926	209,509
9. Lincoln Housing Authority	75,772	174,531
10. Lincoln Airport Authority	61,209	140,572
Top Ten Users Total	1,417,265	\$3,268,018

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

Summary of Insurance Coverage

August 31, 2023

(Unaudited)

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

** Self-insured for both comp & collision.

*** Public Entity Policy

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

Summary of Insurance Coverage

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

AUTOMOBILE INSURANCE

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

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

PROPERTY INSURANCE

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

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

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

Inland Marine Floaters: Provides physical damage coverage for specifically scheduled property. Current floaters insured include: data processing equipment, nonlicensed equipment, recycling containers and sanitary sewer equipment.

GENERAL LIABILITY

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

PUBLIC EMPLOYEES BLANKET BOND

Provides coverage for loss of money and securities resulting from employee dishonesty. Also covers credit/debit card forgery or alteration. This is a blanket policy covering City employees.

PUBLIC OFFICIALS LIABILITY (Claims-made)

The insurance company will pay on behalf of the City of Lincoln (amount over self-insured retention) for any civil claim or claim made against them on a *claims-made basis* because of any wrongful act. A wrongful act under the coverage is defined as any actual or alleged error or misstatement or misleading statement or act of omission or neglect or breach of duty including misfeasance, malfeasance and nonfeasance by an insured. Also covered are claims arising out of employment practices.

WORKERS' COMPENSATION

Provides excess workers' compensation insurance for injuries arising out of and in the course of employment. This provides indemnity and medical coverage above our self-insured retention limits.

CYBER INSURANCE

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