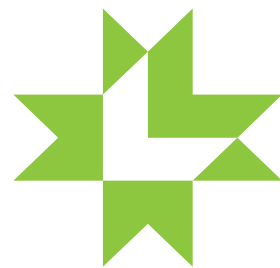




LINCOLN WASTEWATER SYSTEM



LINCOLN
Transportation and Utilities

2024

Financial Statements & Schedules
Fiscal Year Ended August 31, 2024

ANNUAL FINANCIAL REPORT

DEPARTMENT OF TRANSPORTATION AND UTILITIES

CITY OFFICIALS

Leirion Gaylor Baird..... Mayor

COUNCIL MEMBERS

Sandra Washington.....Chair

Justin P. Carlson..... Vice-Chair

James Michael Bowers

Bennie Shobe

Brodey Weber

Tom Beckius

Tom Duden

WASTEWATER SYSTEM

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

Donna K. GardenAssistant Director of Utilities

Lincoln Wastewater System

August 31, 2024 and 2023

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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 year ended August 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the System's basic 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, 2024 and 2023, and the changes in financial position and its cash flows for the year 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, 2024 and 2023, 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about System's ability to continue as a going concern for a reasonable period of time.

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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 are 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 basic 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 audits 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 basic 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 Mazars, LLP

Lincoln, Nebraska
January 28, 2025

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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, 2024 and 2023. 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 \$18,256,288 in 2024 over 2023 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, 2024, 2023, and 2022.

Table 1

Condensed Statements of Net Position

| | August 31 | | Change | |
|---|----------------|----------------|--------------|----------|
| | 2024 | 2023 | Dollars | Percent |
| Current assets | \$ 34,202,537 | \$ 33,050,464 | \$ 1,152,073 | 3.49% |
| Capital assets | 361,268,095 | 350,202,177 | 11,065,918 | 3.16% |
| Noncurrent assets | 25,778,723 | 28,967,925 | (3,189,202) | (11.01%) |
| Deferred outflows of resources | 412,842 | 496,756 | (83,914) | (16.89%) |
| Total assets and deferred outflows of resources | 421,662,197 | 412,717,322 | 8,944,875 | 2.17% |
| Current liabilities | 11,926,116 | 13,482,758 | (1,556,642) | (11.55%) |
| Long-term liabilities | 93,824,053 | 101,546,464 | (7,722,411) | (7.60%) |
| Deferred inflows of resources | 261,985 | 294,345 | (32,360) | (10.99%) |
| Total liabilities and deferred inflows of resources | 106,012,154 | 115,323,567 | (9,311,413) | (8.07%) |
| Net Position | | | | |
| Net investment in capital assets | 280,129,045 | 261,666,684 | 18,462,361 | 7.06% |
| Restricted for debt service | 1,964,424 | 1,068,616 | 895,808 | 83.83% |
| Restricted for capital acquisition | 1,826,412 | 1,074,752 | 751,660 | 69.94% |
| Unrestricted | 31,730,162 | 33,583,703 | (1,853,541) | (5.52%) |
| Total net position | 315,650,043 | 297,393,755 | 18,256,288 | 6.14% |
| Total liabilities, deferred inflows of resources and net position | \$ 421,662,197 | \$ 412,717,322 | \$ 8,944,875 | 2.17% |

Financial Highlights – Fiscal Year 2024

- Capital assets increased due to capital asset purchases exceeding the annual depreciation expense in 2024.
- Liabilities decreased primarily due to debt service payments made during the year.

Table 2**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 | 41.67% |
| 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 3**Condensed Statements of Revenues, Expenses, and Changes in Net Position**

| | August 31 | | Change | |
|---|---------------|---------------|--------------|----------|
| | 2024 | 2023 | Dollars | Percent |
| Operating revenues | \$ 42,410,790 | \$ 41,397,882 | \$ 1,012,908 | 2.45% |
| Nonoperating revenues | | | | |
| Investment income | 4,113,011 | 225,118 | 3,887,893 | 1727.05% |
| Total nonoperating revenues | 4,113,011 | 225,118 | 3,887,893 | 1727.05% |
| Total Revenues | 46,523,801 | 41,623,000 | 4,900,801 | 11.77% |
| Operating expenses | | | | |
| Plant, pumping and treatment | 17,083,966 | 15,923,839 | 1,160,127 | 7.29% |
| Operation and maintenance of wastewater lines | 8,603,057 | 7,983,975 | 619,082 | 7.75% |
| Sanitary engineering services | 2,046,944 | 1,812,309 | 234,635 | 12.95% |
| Administrative and accounting | 3,808,846 | 3,365,243 | 443,603 | 13.18% |
| Total operating expenses | 31,542,813 | 29,085,366 | 2,457,447 | 8.45% |
| Nonoperating expenses | | | | |
| Interest and amortization expense | 3,389,536 | 3,409,087 | (19,551) | (0.57%) |
| Net costs recoverable | 73,021 | 67,422 | 5,599 | 8.30% |
| Total nonoperating expenses | 3,462,557 | 3,476,509 | (13,952) | (0.40%) |
| Total Expenses | 35,005,370 | 32,561,875 | 2,443,495 | 7.50% |
| Income before contributions and transfers | 11,518,431 | 9,061,125 | 2,457,306 | 27.12% |
| Net transfers out | (108,361) | (8,361) | (100,000) | 1196.03% |
| Capital contributions | 6,846,218 | 4,439,826 | 2,406,392 | 54.20% |
| Change in net position | \$ 18,256,288 | \$ 13,492,590 | \$ 4,763,698 | 35.31% |

Financial Highlights – Fiscal Year 2024

- Operating revenues increased due to November 1, 2023 rate increase.

Table 4**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.

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, 2024 amounts to \$361,181,952 (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 \$33,520,000 at August 31, 2024 to be paid with revenues and bond proceeds.

Forward-Looking Information

The approved Capital Improvement Program for Fiscal Year 2024/25 – 2029/2030 identifies the need for \$192,288,000 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 2024, the Lincoln City Council approved 5% revenue increases effective November 2024 and 2025. 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 2024 and 2023. 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, 2024 and 2023

| Assets and Deferred Outflows of Resources | 2024 | 2023 |
|--|----------------|----------------|
| Current assets: | | |
| Equity in pooled cash and investments | \$ 22,738,826 | \$ 25,344,228 |
| Receivables: | | |
| Accounts receivable | 3,417,338 | 2,529,106 |
| Unbilled revenues | 4,355,394 | 4,438,249 |
| Due from other funds | 3,573,998 | 510,049 |
| Total receivables | 11,346,730 | 7,477,404 |
| Inventories | 116,981 | 228,832 |
| Total current assets | 34,202,537 | 33,050,464 |
| Noncurrent assets: | | |
| Equity in pooled cash and investments | 937,458 | 3,718,055 |
| Restricted assets: | | |
| Equity in pooled cash and investments | 12,369,605 | 14,125,239 |
| Investments | 9,315,964 | 9,187,642 |
| Accrued interest receivable | 683,575 | 143,507 |
| Impact fees | 1,826,412 | 1,074,752 |
| Total restricted assets | 24,195,556 | 24,531,140 |
| Utility plant: | | |
| Non-depreciable | 18,700,904 | 19,633,289 |
| Depreciable | 555,603,583 | 532,471,797 |
| Less accumulated depreciation | (213,036,392) | (201,902,909) |
| Net utility plant | 361,268,095 | 350,202,177 |
| Costs recoverable from future billings | 645,709 | 718,730 |
| Total noncurrent assets | 387,046,818 | 379,170,102 |
| Total assets | 421,249,355 | 412,220,566 |
| Deferred outflows of resources: | | |
| Deferred loss on refunding | 319,494 | 388,350 |
| OPEB related items | 93,348 | 108,406 |
| Total deferred outflows of resources | 412,842 | 496,756 |
| Total assets and deferred outflows of resources | \$ 421,662,197 | \$ 412,717,322 |
| Liabilities, Deferred Inflows of Resources and Net Position | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,859,357 | \$ 3,971,241 |
| Accrued liabilities | 879,557 | 866,110 |
| Due to other funds | 471,124 | 123,121 |
| Deposits liability | 88,149 | 88,649 |
| OPEB liability | 14,588 | 18,768 |
| Accrued compensated absences | 418,450 | 448,644 |
| Current maturities of long-term debt | 7,459,608 | 7,173,002 |
| Accrued interest payable from restricted assets | 735,283 | 793,223 |
| Total current liabilities | 11,926,116 | 13,482,758 |
| Long-term liabilities: | | |
| Total OPEB liability, excluding current maturities | 386,691 | 380,163 |
| Accrued compensated absences, excluding current maturities | 1,353,131 | 1,104,084 |
| Long-term debt, excluding current maturities | 92,084,231 | 100,062,217 |
| Total long-term liabilities | 93,824,053 | 101,546,464 |
| Total liabilities | 105,750,169 | 115,029,222 |
| Deferred Inflows of Resources | | |
| OPEB related items | 261,985 | 294,345 |
| Total deferred inflows of resources | 261,985 | 294,345 |
| Net position: | | |
| Net investment in capital assets | 280,129,045 | 261,666,684 |
| Restricted for debt service | 1,964,424 | 1,068,616 |
| Restricted for capital acquisition | 1,826,412 | 1,074,752 |
| Unrestricted | 31,730,162 | 33,583,703 |
| Total net position | 315,650,043 | 297,393,755 |
| Total liabilities, deferred inflows of resources and net position | \$ 421,662,197 | \$ 412,717,322 |

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, 2024 and 2023

| | 2024 | 2023 |
|---|----------------|----------------|
| Operating revenues | \$ 42,410,790 | \$ 41,397,882 |
| Operating expenses: | | |
| Plant, pumping and treatment | 17,083,966 | 15,923,839 |
| Operation and maintenance of wastewater lines | 8,603,057 | 7,983,975 |
| Sanitary engineering services | 2,046,944 | 1,812,309 |
| Administrative and accounting | 3,808,846 | 3,365,243 |
| Total operating expenses | 31,542,813 | 29,085,366 |
| Operating income | 10,867,977 | 12,312,516 |
| Nonoperating revenues (expenses): | | |
| Investment income | 4,113,011 | 225,118 |
| Interest and amortization expense | (3,389,536) | (3,409,087) |
| Net costs recoverable | (73,021) | (67,422) |
| Net nonoperating revenues (expenses) | 650,454 | (3,251,391) |
| Increase in net position before capital contributions and transfers | 11,518,431 | 9,061,125 |
| Capital contributions from: | | |
| Developers | 6,051,505 | 3,694,095 |
| Tap fees | 43,053 | 36,045 |
| Impact Fees | 751,660 | 709,686 |
| Total capital contributions | 6,846,218 | 4,439,826 |
| Transfers Out | (108,361) | (8,361) |
| Increase in net position | 18,256,288 | 13,492,590 |
| Total net position - beginning | 297,393,755 | 283,901,165 |
| Total net position - ending | \$ 315,650,043 | \$ 297,393,755 |

LINCOLN WASTEWATER SYSTEM
An Enterprise Fund of the City of Lincoln, Nebraska
Statements of Cash Flows
Years ended August 31, 2024 and 2023

| | 2024 | 2023 |
|---|---------------|---------------|
| Operating activities: | | |
| Receipts from customers and users | \$ 38,217,675 | \$ 37,573,153 |
| Sales tax receipts | 2,635,578 | 2,347,148 |
| Payments to suppliers | (9,969,555) | (7,800,736) |
| Payments to employees | (7,610,499) | (8,248,318) |
| Payments for sales tax | (2,645,070) | (2,468,300) |
| Net cash provided by operating activities | 20,628,129 | 21,402,947 |
| Noncapital financing activities: | | |
| Net transfers to other funds | (108,361) | (8,361) |
| Net repayments from (payments to) other funds | 312,542 | (110,000) |
| Net cash provided by (used in) noncapital financing activities | 204,181 | (118,361) |
| Capital and related financing activities: | | |
| Acquisition and construction of capital assets | (17,320,076) | (14,622,253) |
| Principal paid on revenue bonds | (5,890,000) | (4,865,000) |
| System funds used for debt issuance costs | - | (178,934) |
| Interest paid on long-term debt | (3,896,999) | (3,528,647) |
| Repayments on NDEE loan | (1,283,001) | (1,256,951) |
| Proceeds from issuance of long-term debt | - | 37,787,459 |
| Net cash provided by (used in) capital and related financing activities | (28,390,076) | 13,335,674 |
| Investing activities: | | |
| Purchases of investments | (30,467,100) | (49,878,588) |
| Proceeds from investment maturities | 36,991,023 | 16,789,026 |
| Interest on investments | 37,547 | 250,575 |
| Net cash (used in) investing activities | 6,561,470 | (32,838,987) |
| Net increase (decrease) in cash and cash equivalents | (996,296) | 1,781,273 |
| Cash and cash equivalents at beginning of year | 1,937,695 | 156,422 |
| Cash and cash equivalents at end of year | \$ 941,399 | \$ 1,937,695 |
| Composition of equity in pooled cash and investments | | |
| Cash and cash equivalents | \$ 941,399 | \$ 1,937,695 |
| Investments | 35,104,490 | 41,249,827 |
| Total equity in pooled cash and investments | \$ 36,045,889 | \$ 43,187,522 |
| Reconciliation of net operating income to net cash provided by operating activities: | | |
| Operating income | \$ 10,867,977 | \$ 12,312,516 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 11,401,346 | 10,524,294 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (1,557,037) | (1,523,081) |
| Inventories | 111,851 | (58,222) |
| Accounts payable | (412,854) | (85,595) |
| Accrued liabilities and deposit liability | 12,947 | 201,618 |
| Total OPEB liability | 2,348 | (193,050) |
| Deferred outflows | 15,058 | 12,652 |
| Deferred inflows | (32,360) | 270,099 |
| Accrued compensated absences | 218,853 | (58,284) |
| Total adjustments | 9,760,152 | 9,090,431 |
| Net cash provided by operating activities | \$ 20,628,129 | \$ 21,402,947 |
| Supplemental disclosure of noncash transactions: | | |
| Contributed capital improvements added to utility plant | \$ 6,051,505 | \$ 3,694,095 |
| Accounts payable incurred for utility plant purchases | 1,584,142 | 3,283,172 |
| Amortization of debt premiums | 518,379 | 486,689 |

LINCOLN WASTEWATER SYSTEM
An Enterprise Fund of the City of Lincoln, Nebraska
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(1) Organization and Summary of Significant Accounting Policies

Organization and Nature of Operations

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

Measurement Focus and Basis of Accounting

The financial statements of the System are prepared on the accrual basis of accounting using the economic resources measurement focus, in accordance with generally accepted accounting principles (GAAP) as applied to enterprise activities of governmental units. The System follows the uniform system of accounts as prescribed by the National Association of Regulatory Utility Commissioners. In reporting financial activity, the System applies all applicable Government Accounting Standards Board (GASB) pronouncements including the regulated operations provisions of GASB Statement No. 62, which permits an entity with cost-based rates to defer certain costs or income that would be otherwise recognized when incurred to the extent the rate-regulated entity is recovering or expecting to recover such amounts in rates charged to its customers.

The GASB periodically updates its codification of the existing Governmental and Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

The financial statements referred to above present only the Lincoln Wastewater System, an enterprise fund of the City of Lincoln, Nebraska, and do not purport to, and do not, present fairly the financial position of the City of Lincoln, Nebraska, as of August 31, 2024 and 2023, 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.

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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, 2024 and 2023. 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

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these investments is allocated monthly to the various funds by the City Treasurer on a pro rata basis of average cash balances.

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

The System participates in a cash management pool, managed by the City. The pool consists of bank deposits and investments. The System's interest in this pool is shown as equity in pooled cash and investments in the statements of net position. 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.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net assets that applies to a future

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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, 2024 and 2023, respectively:

| | <u>August 31, 2024</u> | <u>August 31, 2023</u> |
|-------------------------|------------------------|------------------------|
| <u>Wastewater Usage</u> | \$ 2.491 | \$ 2.350 |
| <u>Service Charge</u> | | |
| 5/8 inch | 4.45 | 4.20 |
| 3/4 inch | 8.63 | 8.14 |
| 1 inch | 15.36 | 14.49 |
| 1 1/2 inch | 30.44 | 28.72 |
| 2 inch | 48.75 | 45.99 |
| 3 inch | 91.57 | 86.39 |
| 4 inch | 152.74 | 144.09 |
| 6 inch | 305.21 | 287.93 |
| 8 inch | 488.38 | 460.74 |
| 10 inch | 702.27 | 662.52 |

In August 2024, the Lincoln City Council approved rate increases for the next two years. The first increase of 5% was effective in November 2024 and the second rate increase of 5% will be effective in November 2025.

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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.

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Compensated absences of the System at August 31, 2024 and 2023 are summarized below:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-----------------|----------------------|------------|------------|-------------------|------------------------|
| August 31, 2024 | \$ 1,552,728 | \$ 667,497 | \$ 448,644 | \$ 1,771,581 | \$ 418,450 |
| August 31, 2023 | 1,611,012 | 388,459 | 446,743 | 1,552,728 | 448,644 |

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.

Revision

During 2024, the System revised the presentation of restricted accrued interest receivable for the year ended August 31, 2023 within the balance sheet as follows:

| | As Previously Reported | Revision | As Revised |
|--|---------------------------|--------------|---------------|
| Noncurrent restricted equity in pooled cash and investments | \$ 14,268,746 | \$ (143,507) | \$ 14,125,239 |
| Noncurrent restricted accrued interest receivable | - | 143,507 | 143,507 |

(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.

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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.

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August 31, 2024 and 2023

At August 31, 2024 and 2023, the System had the following investments, maturities and fair value measurements:

| | | August 31, 2024 | | | | |
|---------------------------|----|-----------------|---------------------|--------------|--------------|------------------------|
| | | Fair Value | Maturities in Years | | | Fair Value Measurement |
| Type | | | Less than 1 | 1 - 5 | 6 - 10 | |
| U.S. Government | | | | | | |
| Sponsored Agencies | \$ | 7,968,150 | \$ 1,084,354 | \$ 4,473,529 | \$ 2,410,267 | Level 2 |
| U.S. Treasury Obligations | | 1,347,814 | - | 1,347,814 | - | Level 2 |
| | \$ | 9,315,964 | \$ 1,084,354 | \$ 5,821,343 | \$ 2,410,267 | |
| | | | | | | |
| | | August 31, 2023 | | | | |
| | | Fair Value | Maturities in Years | | | Fair Value Measurement |
| Type | | | 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 | |

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, 2024 and 2023, 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.

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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:

| | 2024 | 2023 |
|--------------------------|-------------|-------------|
| Federal Farm Credit Bank | 15.2% | 13.0% |

At August 31, 2024 and 2023, 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, 2024 and 2023, are:

| | 2024 | 2023 |
|---------------------------------------|---------------|---------------|
| Equity in pooled cash and investments | \$ 36,045,889 | \$ 43,187,522 |

Investment Income

Investment income for the years ended August 31, 2024 and 2023, consisted of:

| | 2024 | 2023 |
|---|---------------------|-------------------|
| Interest and dividend income | \$ 3,866,903 | \$ 344,076 |
| Net change in fair value of investments | 246,108 | (118,958) |
| | <u>\$ 4,113,011</u> | <u>\$ 225,118</u> |

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(3) Utility Plant

Utility plant is summarized by major classification at August 31, 2024 as follows:

| Asset Class | Capital Assets | | | | Accumulated Depreciation | | | | Net Capital Assets | |
|--------------------------------|--------------------|---------------|-------------------------|--------------------|--------------------------|-----------------|------------|--------------------|--------------------|--|
| | August 31, 2023 | Increases | Decreases/ Transfers | August 31, 2024 | August 31, 2023 | Increases | Decreases | August 31, 2024 | August 31, 2024 | |
| Structures and improvements | \$ 84,790,833 | \$ 1,732,063 | \$ - | \$ 86,522,896 | \$ (45,245,303) | \$ (1,978,908) | \$ - | \$ (47,224,211) | \$ 39,298,685 | |
| Line Equipment | 444,855 | - | - | 444,855 | (272,203) | (29,187) | - | (301,390) | 143,465 | |
| Treatment equipment | 114,149,957 | 5,964,766 | (77,299) | 120,037,424 | (51,922,481) | (3,910,106) | 77,299 | (55,755,288) | 64,282,136 | |
| Collection system | 300,787,582 | 15,331,843 | - | 316,119,425 | (87,709,596) | (4,134,167) | - | (91,843,763) | 224,275,662 | |
| Lift stations/force mains | 9,720,666 | 95,328 | - | 9,815,994 | (2,406,724) | (195,986) | - | (2,602,710) | 7,213,284 | |
| Environmental equipment | 476,411 | - | - | 476,411 | (409,983) | (15,666) | - | (425,649) | 50,762 | |
| Office furniture and equipment | 543,300 | - | - | 543,300 | (523,476) | (753) | - | (524,229) | 19,071 | |
| Shop and work equipment | 440,434 | - | - | 440,434 | (281,134) | (2,519) | - | (283,653) | 156,781 | |
| Communications system | 2,805,390 | 5,152 | - | 2,810,542 | (1,672,225) | (231,082) | - | (1,903,307) | 907,235 | |
| Laboratory equipment | 957,383 | - | - | 957,383 | (855,115) | (42,741) | - | (897,856) | 59,527 | |
| Injection system | 658,907 | - | - | 658,907 | (527,884) | (9,795) | - | (537,679) | 121,228 | |
| Pond and liner | 520,132 | - | - | 520,132 | (520,132) | - | - | (520,132) | - | |
| Sludge injection equipment | 79,663 | - | (34,594) | 45,069 | (79,663) | (3,300) | 34,594 | (48,369) | (3,300) | |
| Transmission/work equipment | 1,125,400 | - | - | 1,125,400 | (774,417) | (55,779) | - | (830,196) | 295,204 | |
| Meters | 9,073,945 | - | - | 9,073,945 | (5,071,665) | (365,782) | - | (5,437,447) | 3,636,498 | |
| Vehicles | 5,896,939 | 270,497 | (155,970) | 6,011,466 | (3,630,908) | (425,575) | 155,970 | (3,900,513) | 2,110,953 | |
| Total depreciable assets | 532,471,797 | 23,399,649 | (267,863) | 555,603,583 | (201,902,909) | (11,401,346) | 267,863 | (213,036,392) | 342,567,191 | |
| Land and land rights | 8,319,748 | - | - | 8,319,748 | - | - | - | - | 8,319,748 | |
| Construction in progress | 11,313,541 | 15,857,562 | (16,789,947) | 10,381,156 | - | - | - | - | 10,381,156 | |
| Total nondepreciable assets | 19,633,289 | 15,857,562 | (16,789,947) | 18,700,904 | - | - | - | - | 18,700,904 | |
| Total capital assets | \$ 552,105,086 | \$ 39,257,211 | \$ (17,057,810) | \$ 574,304,487 | \$ (201,902,909) | \$ (11,401,346) | \$ 267,863 | \$ (213,036,392) | \$ 361,268,095 | |

The composite depreciation rate was approximately 2.05% in 2024.

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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 | Decreases/ Transfers | August 31, 2023 | August 31, 2022 | Increases | Decreases | 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 and work 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.

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(4) Long-term Liabilities

Long-term debt of the System at August 31, 2024 and 2023 is summarized below:

| Type of Debt | 2024 | | | | | Due Within One Year |
|---|-----------------------|-------------|---------------------|----------------------|-----------|------------------------|
| | August 31, 2023 | Additions | Reductions | August 31, 2024 | | |
| 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) | \$ 1,442,703 | \$ - | \$ 184,371 | \$ 1,258,332 | \$ | 186,772 |
| 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) | 2,370,582 | - | 258,572 | 2,112,010 | | 263,770 |
| 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) | 9,820,076 | - | 840,058 | 8,980,018 | | 859,066 |
| 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 2030. Redeemable at par on or after June 15, 2022. | 13,655,000 | - | 2,625,000 | 11,030,000 | | 2,735,000 |
| 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. | 6,235,000 | - | 830,000 | 5,405,000 | | 855,000 |
| 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. | 8,980,000 | - | 855,000 | 8,125,000 | | 905,000 |
| 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. | 23,105,000 | - | 735,000 | 22,370,000 | | 770,000 |
| 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 | - | 845,000 | 35,800,000 | | 885,000 |
| Unamortized premium on bonds | 4,981,858 | - | 518,379 | 4,463,479 | | - |
| | \$ 107,235,219 | \$ - | \$ 7,691,380 | \$ 99,543,839 | \$ | 7,459,608 |

(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)

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| Type of Debt | 2023 | | | | | Due Within One Year |
|---|----------------------|----------------------|---------------------|-----------------------|-----------|------------------------|
| | August 31, 2022 | Additions | Reductions | August 31, 2023 | | |
| 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 2030. 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>\$</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)

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.

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August 31, 2024 and 2023

Maturities and sinking fund requirements on long-term debt at August 31, 2024, are shown below:

| Due years ending August 31 | Bonds | | Loans | | Total |
|----------------------------------|---------------|---------------|---------------|--------------|----------------|
| | Principal | Interest | Principal | Interest | |
| 2025 | \$ 6,150,000 | \$ 3,268,738 | \$ 1,309,608 | \$ 253,896 | \$ 10,982,242 |
| 2026 | 6,420,000 | 3,005,689 | 1,336,778 | 226,725 | 10,989,192 |
| 2027 | 6,680,000 | 2,736,148 | 1,364,527 | 198,977 | 10,979,652 |
| 2028 | 6,400,000 | 2,440,699 | 1,392,865 | 170,638 | 10,404,202 |
| 2029 | 4,035,000 | 2,213,048 | 1,421,809 | 141,694 | 7,811,551 |
| 2030-2034 | 15,350,000 | 8,975,738 | 5,524,773 | 281,775 | 30,132,286 |
| 2035-2039 | 14,005,000 | 6,105,465 | - | - | 20,110,465 |
| 2040-2044 | 16,800,000 | 3,312,315 | - | - | 20,112,315 |
| 2045-2047 | 6,890,000 | 590,757 | - | - | 7,480,757 |
| Total | \$ 82,730,000 | \$ 32,648,597 | \$ 12,350,360 | \$ 1,273,705 | \$ 129,002,662 |

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 \$129,002,662 with annual payments expected to require approximately 40% of net revenues. Principal and interest paid for the current year and net system revenues were \$10,973,890 and \$27,177,047 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
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August 31, 2024 and 2023

(5) Commitments and Contingencies

Construction Commitments:

The System has commitments under major construction contracts in progress of approximately \$33,520,000 at August 31, 2024 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 \$489,000 and \$475,000 in 2024 and 2023, 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 \$805,000 for administrative services for fiscal years 2024 and 2023, 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 \$1,581,000 and \$1,542,000 during 2024 and 2023, respectively. At August 31, 2024 and 2023, approximately \$141,000 and \$163,000, 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 \$1,826,412 and \$1,074,752 as of August 31, 2024 and 2023, respectively.

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The City of Lincoln general fund borrowed monies from the pooled cash and investment account. The System's allocated share of the borrowing is \$247,924 and \$288,566 as of August 31, 2024 and 2023, respectively. This amount is reflected as a current asset and is included in Due from Other Funds on the Statements of Net Position.

(7) Pension Plan

Employees of the System are participants in the City of Lincoln Employees' Retirement Plan. Plan participation is required if the employee has completed five years of continuous service and attained the age of 40. An employee may voluntarily enter the plan upon attaining age 19 and after completing six months of service. The plan is a defined contribution plan requiring employees to contribute to the plan depending on employee class and date of hire. The System contributes between \$1.29 and \$2.00 for every \$1.00 contributed by employees. Plan participants vest in the City's contributions in year three of participation at 20% up to 100% vested in year seven. Contributions made by the System were approximately \$573,000 and \$535,000 for 2024 and 2023, respectively. Contributions made by the plan members were approximately \$342,000 and \$331,000 for 2024 and 2023, respectively.

(8) Other Postemployment Benefits (OPEB)

Total OPEB liability activity for the years ended August 31, 2024 and 2023 are summarized below:

| | Beginning | | | Ending | Due Within |
|-----------------|------------------|------------------|-------------------|----------------|-------------------|
| | Balance | Additions | Reductions | Balance | One Year |
| August 31, 2024 | \$ 398,931 | \$ 2,348 | \$ - | \$ 401,279 | \$ 14,588 |
| August 31, 2023 | 591,981 | - | 193,050 | 398,931 | 18,768 |

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, 2024 and 2023, the System's proportion was 2.35% and 2.36%, respectively.

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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, 2024 was measured as of August 31, 2023. The actuarial valuation was prepared as of August 31, 2022, rolled forward 12 months using standard actuarial formulae. The total OPEB liability as of August 31, 2023 is based on the following actuarial assumptions and other inputs:

Actuarial Assumptions - FY 2024

| | |
|-----------------------------|---|
| Price Inflation | 2.50% |
| Municipal Bond Index Rate | 3.77%, 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 MP 2021 Mortality Improvement Scale. |

The Police and Fire demographic actuarial assumptions used in the August 31, 2022 valuation, and rolled forward to August 31, 2023, 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, 2022. This most recent experience study was dated December 11, 2023, with the new assumptions first used in the August 31, 2023 valuation.

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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.

The total OPEB liability 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 | <p>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.</p> <p>Premiums trended to August 31, 2022</p> <p>Police / Fire Retiree - \$10,687</p> <p>Police / Fire Spouse - \$13,039</p> <p>Civilians Retiree - \$9,542</p> <p>Civilians Spouse - \$11,640</p> |
| Mortality | <p>General Pub-2010 Tables used for Civilians and Safety</p> <p>Pub-2010 Tables used for Police and Fire with generational mortality improvement using the Nebraska Public Retirement System Mortality Improvement Scale.</p> |

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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.

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

At August 31, 2024 and 2023, the System reported a total OPEB liability of \$401,279 and \$398,931, respectively, for its proportionate share of the collective total OPEB liability for the City. For the years ended August 31, 2024 and 2023, the System recognized OPEB expense of \$7,162 and \$30,898, respectively, and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | 2024 | |
|---|---|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Benefit payments subsequent to the measurement date | \$ 14,588 | \$ - |
| Differences between expected and actual experience | 3,003 | 207,452 |
| Changes in assumptions | <u>75,757</u> | <u>54,533</u> |
| Total | <u>\$ 93,348</u> | <u>\$ 261,985</u> |

LINCOLN WASTEWATER SYSTEM
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August 31, 2024 and 2023

| | 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 | \$ 108,406 | \$ 294,345 |

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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending August 31, | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---------------------------------------|---|--|
| 2025 | \$ 22,400 | \$ (51,027) |
| 2026 | 22,400 | (46,328) |
| 2027 | 21,140 | (44,157) |
| 2028 | 12,820 | (44,157) |
| 2029 | - | (44,127) |
| Thereafter | - | (32,189) |
| | \$ 78,760 | \$ (261,985) |

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:

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| | 1% Decrease | Current Trend | 1% Increase |
|---|------------------------|--------------------------|------------------------|
| Total OPEB Liability August 31, 2024 | \$ 351,991 | \$ 401,279 | \$ 460,198 |

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 the discount rate of 3.77% and 3.38% as of August 31, 2024 and 2023, 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:

| | 1% Decrease | Current Trend | 1% Increase |
|---|------------------------|--------------------------|------------------------|
| Total OPEB Liability August 31, 2024 | \$ 351,991 | \$ 401,279 | \$ 460,198 |

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

REQUIRED SUPPLEMENTARY INFORMATION

LINCOLN WASTEWATER SYSTEM

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Schedule of the System's Proportionate Share of the Total Other Postemployment Benefit (OPEB) Liability Measurement Period Ending August 31, 2024

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| The System's proportion of the total OPEB liability | 2.35% | 2.36% | 2.06% | 2.08% | 2.40% | 2.45% | 2.81% |
| The System's proportionate share of the total OPEB liability | \$ 401,279 | \$ 398,931 | \$ 591,981 | \$ 560,877 | \$ 481,220 | \$ 437,946 | \$ 527,965 |
| The System's covered payroll | \$ 4,024,036 | \$ 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 | 9.97% | 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, 2023 valuation – The discount rate has changed from 3.38% to 3.77% due to a change in the municipal bond rate. The inflationary assumption has changed from 2.25% to 2.50%. The wage growth assumption has changed from 2.75% to 3.00%. The mortality improvement scale changed to the MP-2021 Mortality Improvement Scale. Retirement rates were updated for Plan A Police and Fire members to better reflect recent experience. Termination rates were updated for Police members to better reflect recent experience. Disability rates were updated for Police and Fire members to better reflect recent experience.
- 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

LINCOLN WASTEWATER SYSTEM

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Schedule of the System's Proportionate Share of the Total Other Postemployment Benefit (OPEB) Liability

Measurement Period Ending August 31, 2024

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
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Summary of Long-Term Debt

Schedule 1

| Due years ending August 31 | NDEE Loan (C317247) 2009 | | NDEE Loan (C317078) 2009 | | NDEE Loan (317830) 2011 | | Series 2012 | | Series 2015 | | Series 2017 | | Series 2019 | | Series 2022 | | Total | | Total |
|----------------------------------|-----------------------------|-----------|-----------------------------|------------|----------------------------|--------------|----------------|--------------|----------------|------------|----------------|--------------|----------------|--------------|----------------|---------------|---------------|---------------|----------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | |
| 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 | \$ 3,522,634 | \$ 10,982,242 |
| 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 | 3,232,414 | 10,989,192 |
| 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 | 2,935,125 | 10,979,652 |
| 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 | 2,611,337 | 10,404,202 |
| 2029 | 196,688 | 5,807 | 285,625 | 19,072 | 939,496 | 116,815 | - | - | 980,000 | 62,997 | 1,065,000 | 113,638 | 910,000 | 621,250 | 1,080,000 | 1,415,163 | 5,456,809 | 2,354,742 | 7,811,551 |
| 2030-2034 | 299,843 | 3,899 | 739,067 | 22,312 | 4,485,863 | 255,564 | - | - | 835,000 | 23,798 | 3,170,000 | 181,325 | 5,090,000 | 2,559,800 | 6,255,000 | 6,210,815 | 20,874,773 | 9,257,513 | 30,132,286 |
| 2035-2039 | - | - | - | - | - | - | - | - | - | - | - | - | 6,045,000 | 1,605,450 | 7,960,000 | 4,500,015 | 14,005,000 | 6,105,465 | 20,110,465 |
| 2040-2044 | - | - | - | - | - | - | - | - | - | - | - | - | 7,005,000 | 642,750 | 9,795,000 | 2,669,565 | 16,800,000 | 3,312,315 | 20,112,315 |
| 2045-2047 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 6,890,000 | 590,757 | 6,890,000 | 590,757 | 7,480,757 |
| Total | \$ 1,258,332 | \$ 57,884 | \$ 2,112,010 | \$ 172,857 | \$ 8,980,018 | \$ 1,042,964 | \$ 11,030,000 | \$ 1,091,000 | \$ 5,405,000 | \$ 666,715 | \$ 8,125,000 | \$ 1,122,215 | \$ 22,370,000 | \$ 8,232,450 | \$ 35,800,000 | \$ 21,536,217 | \$ 95,080,360 | \$ 33,922,302 | \$ 129,002,662 |

LINCOLN WASTEWATER SYSTEM
An Enterprise Fund of the City of Lincoln, Nebraska
Debt Coverage Ratio
Last ten fiscal years

Schedule 2

| 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 |
| 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 | 7,252,526 | 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 |
| 2024 | 47,318,514 | 20,141,467 | 27,177,047 | 5,890,000 | 3,520,387 | 9,410,387 | 2.89 | 7,173,001 | 3,800,889 | 10,973,890 | 2.48 |

LINCOLN WASTEWATER SYSTEM
An Enterprise Fund of the City of Lincoln, Nebraska
Utility Plant in Service
August 31, 2024

Schedule 3

| Asset Class | Capital Assets | | | | Accumulated Depreciation | | | | Net Capital Assets |
|---|-----------------|---------------|----------------------|-----------------|--------------------------|-----------------|------------|------------------|--------------------|
| | August 31, 2023 | Increases | Decreases/ Transfers | August 31, 2024 | August 31, 2023 | Increases | Decreases | August 31, 2024 | August 31, 2024 |
| Theresa Street Plant: | | | | | | | | | |
| Structures and improvements | \$ 65,400,132 | \$ 1,732,063 | \$ - | \$ 67,132,195 | \$ (32,523,267) | \$ (1,580,031) | \$ - | \$ (34,103,298) | \$ 33,028,897 |
| Line Equipment | 444,855 | - | - | 444,855 | (272,203) | (29,187) | - | (301,390) | 143,465 |
| Treatment equipment | 72,514,192 | 5,915,747 | (77,299) | 78,352,640 | (41,378,303) | (2,417,687) | 77,299 | (43,718,691) | 34,633,949 |
| Collection system | 300,787,582 | 15,331,843 | - | 316,119,425 | (87,709,596) | (4,134,167) | - | (91,843,763) | 224,275,662 |
| Lift stations/force mains | 9,720,666 | 95,328 | - | 9,815,994 | (2,408,409) | (195,986) | - | (2,604,395) | 7,211,599 |
| Environmental equipment | 476,411 | - | - | 476,411 | (409,983) | (15,666) | - | (425,649) | 50,762 |
| Office furniture and equipment | 531,887 | - | - | 531,887 | (512,269) | (753) | - | (513,022) | 18,865 |
| Shop and work equipment | 290,132 | - | - | 290,132 | (131,482) | (2,519) | - | (134,001) | 156,131 |
| Communications system | 2,796,563 | 5,152 | - | 2,801,715 | (1,663,398) | (231,082) | - | (1,894,480) | 907,235 |
| Laboratory equipment | 957,383 | - | - | 957,383 | (855,115) | (42,741) | - | (897,856) | 59,527 |
| Meters | 9,073,945 | - | - | 9,073,945 | (5,071,665) | (365,782) | - | (5,437,447) | 3,636,498 |
| Theresa Street depreciable assets | 462,993,748 | 23,080,133 | (77,299) | 485,996,582 | (172,935,690) | (9,015,601) | 77,299 | (181,873,992) | 304,122,590 |
| 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 | 469,174,876 | 23,080,133 | (77,299) | 492,177,710 | (172,935,690) | (9,015,601) | 77,299 | (181,873,992) | 310,303,718 |
| Northeast Plant: | | | | | | | | | |
| Structures and improvements | 19,390,701 | - | - | 19,390,701 | (12,722,036) | (398,877) | - | (13,120,913) | 6,269,788 |
| Treatment equipment | 41,635,765 | 49,019 | - | 41,684,784 | (10,544,178) | (1,492,419) | - | (12,036,597) | 29,648,187 |
| 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 | (527,884) | (9,795) | - | (537,679) | 121,228 |
| Pond and liner | 520,132 | - | - | 520,132 | (520,132) | - | - | (520,132) | - |
| Sludge injection equipment | 79,663 | - | (34,594) | 45,069 | (79,663) | (3,300) | 34,594 | (48,369) | (3,300) |
| Lift stations/force mains | - | - | - | - | 1,685 | - | - | 1,685 | 1,685 |
| Transmission/work equipment | 1,125,400 | - | - | 1,125,400 | (774,417) | (55,779) | - | (830,196) | 295,204 |
| Northeast Plant depreciable assets | 63,581,110 | 49,019 | (34,594) | 63,595,535 | (25,336,311) | (1,960,170) | 34,594 | (27,261,887) | 36,333,648 |
| Land and land rights | 2,138,620 | - | - | 2,138,620 | - | - | - | - | 2,138,620 |
| Northeast Plant nondepreciable assets | 2,138,620 | - | - | 2,138,620 | - | - | - | - | 2,138,620 |
| Total Northeast Plant | 65,719,730 | 49,019 | (34,594) | 65,734,155 | (25,336,311) | (1,960,170) | 34,594 | (27,261,887) | 38,472,268 |
| Vehicles and work equipment (all locations) | 5,896,939 | 270,497 | (155,970) | 6,011,466 | (3,630,908) | (425,575) | 155,970 | (3,900,513) | 2,110,953 |
| Utility plant in service | \$ 540,791,545 | \$ 23,399,649 | \$ (267,863) | \$ 563,923,331 | \$ (201,902,909) | \$ (11,401,346) | \$ 267,863 | \$ (213,036,392) | \$ 350,886,939 |
| Construction in progress | 11,313,541 | 15,857,562 | (16,789,947) | 10,381,156 | - | - | - | - | 10,381,156 |
| Total capital assets | \$ 552,105,086 | \$ 39,257,211 | \$ (17,057,810) | \$ 574,304,487 | \$ (201,902,909) | \$ (11,401,346) | \$ 267,863 | \$ (213,036,392) | \$ 361,268,095 |

LINCOLN WASTEWATER SYSTEM
An Enterprise Fund of the City of Lincoln, Nebraska
General Statistics
Year Ended August 31, 2024
(Unaudited)

Schedule 4

| | |
|---|-------------------------------|
| 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 | 1,137 |
| Estimated Added During Year | 5 |
| Estimated Removed During Year | - |
| Total as of August 31, 2024 | 1,142 |
| Number of Wastewater Life (Pumping) Stations: | 15 |
| Number of Stormwater Pumping Stations: | 3 |
| Plant Capacity: | |
| Theresa Street Treatment Facility | 28.0 million gallons per day |
| Northeast Treatment Facility | 10.0 million gallons per day |
| Average Daily Flow: | |
| Theresa Street Treatment Facility | 23.28 million gallons per day |
| Northeast Treatment Facility | 4.39 million gallons per day |
| Total Number of Active Residential Wastewater Customers | |
| End of Fiscal Year | 85,697 |
| Total Number of Active Non-Residential Wastewater Customers | |
| End of Fiscal Year | 4,754 |
| Total Debt of Lincoln Wastewater System as of August 31, 2024 | \$ 95,080,360 |

LINCOLN WASTEWATER SYSTEM
An Enterprise Fund of the City of Lincoln, Nebraska
Top Ten Customers
Year Ended August 31, 2024
(Unaudited)

Schedule 5

| | USAGE (HCF) | Amount (\$) |
|----------------------------------|------------------------|------------------------|
| 1 University of Nebraska | 404,254 | \$ 1,179,938 |
| 2 State of Nebraska | 308,127 | 844,133 |
| 3 Archer Daniels Midland Company | 109,876 | 297,832 |
| 4 AH 42 LLC | 101,044 | 273,540 |
| 5 Lincoln Industries | 98,267 | 267,768 |
| 6 Bryan Medical Center | 96,225 | 272,137 |
| 7 Lincoln Public Schools | 83,722 | 332,779 |
| 8 Smithfield Packaged Meats | 79,474 | 210,153 |
| 9 Lincoln Housing Authority | 76,097 | 281,333 |
| 10 Lincoln Airport Authority | 59,361 | 196,582 |
| Top Ten Users Total | 1,416,447 | \$ 4,156,195 |

LINCOLN WASTEWATER SYSTEM
An Enterprise Fund of the City of Lincoln, Nebraska
Summary of Insurance Coverage
August 31, 2024
(Unaudited)

Schedule 6

| 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 | 3000027-7 |
| Automobile Fleet Physical Damage | Self-Insured | Actual cash value | 3,000 | 2,500 | | |
| Building and Contents (Includes Bo & Machinery | Blanket policy - buildings and contents | Replacement cost | 250,000 | 3,000 | FM Global | 1122334 |
| Money and Securities | Inside/outside premises | 3,000,000 | 50,000 | 50,000 | Hanover | BDCJ13667400 |
| Water Distribution | Water distribution center | Per Property Schedule | 250,000 | 10,000 | FM Global | 1122334 |
| Data Processing Equipment | Computer equipment, data and media | Replacement cost | 250,000 | 3,000 | FM Global | 1122334 |
| Equipment Floater (911) | Radio tower floater | Replacement cost | 250,000 | 3,000 | FM Global | 1122334 |
| Equipment Floater (NON-LIC) | Non licensed scheduled equipment | Actual cash value | 250,000 | 3,000 | FM Global | 1122334 |
| General Liability*** | \$6,000,000 occurrence / \$12,000,000 annual aggregate | 6,000,000 | 1,000,000 | - | States | 3000027-7 |
| Public Employee Blanket Bond | Employees blanket bond coverage | 3,000,000 | 50,000 | 50,000 | Hanover | BDCJ13667400 |
| Public Officials Liability*** | \$6,000,000 occurrence / \$12,000,000 annual aggregate | 6,000,000 | 1,000,000 | - | States | 3000027-7 |
| Workers' Compensation Excess | Statutory | Statutory | 800,000 | - | Midwest Employee Casualty (MECC) | EWC007744 |
| Cyber Liability | 1st Party / 3rd Party / Data Breach | 5,000,000 | 1,000,000 | | Indian Harbor | MTP903493606 |

** 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
August 31, 2024
(Unaudited)

Schedule 6

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.