

In the opinion of Gilmore & Bell, P.C., Bond Counsel to the City, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), the interest on the Series 2022 Bonds (including any original issue discount properly allocable to an owner thereof) (1) is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax and (2) is exempt from income taxation by the State of Nebraska. The Series 2022 Bonds have not been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code. Bond Counsel notes that for tax years beginning after December 31, 2022, interest on the Bonds may be included in adjusted financial statement income of applicable corporations for purposes of determining the applicability and amount of the federal corporate alternative minimum tax. See “TAX MATTERS” in this Official Statement.

OFFICIAL STATEMENT
\$36,645,000
THE CITY OF LINCOLN, NEBRASKA
SANITARY SEWER REVENUE BONDS
SERIES 2022

Dated: Date of delivery

Due: June 15, as shown on inside cover

The City of Lincoln, Nebraska’s Sanitary Sewer Revenue Bonds, Series 2022 (the “**Series 2022 Bonds**”) are issuable in fully registered form and, when initially issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“**DTC**”), New York, New York, which will act as securities depository for the Series 2022 Bonds. Purchases of the Series 2022 Bonds will be originally made in book-entry form only, in the denomination of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through, DTC participants. Beneficial owners of the Series 2022 Bonds will not receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Series 2022 Bonds. So long as DTC or its nominee is the registered owner of the Series 2022 Bonds, payments of the principal or redemption price of and interest on the Series 2022 Bonds will be made directly to DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of the DTC participants. Interest is payable on June 15 and December 15 of each year, beginning June 15, 2023. BOKF, National Association is bond registrar and paying agent for the Series 2022 Bonds (the “**Registrar**”). For terms relating to principal and interest payments made to DTC or its nominee or in the event that the use of book-entry form is discontinued, see “**THE SERIES 2022 BONDS—Book-Entry System.**”

The Series 2022 Bonds maturing on or after June 15, 2032 are subject to optional redemption prior to maturity at any time on or after June 15, 2031 as set forth herein. See “**THE SERIES 2022 BONDS—Optional Redemption.**”

The Series 2022 Bonds are being issued together with other funds available to the City for the purpose of (a) financing all or a portion of the costs of acquiring, constructing, equipping and furnishing certain improvements to the City’s sanitary sewer system, (b) funding a 2022 Account in the Reserve Fund (as described herein), and (c) paying costs of issuance of the Series 2022 Bonds. The Series 2022 Bonds, together with (a) \$16,195,000 outstanding principal amount of the City’s Sanitary Sewer Revenue Refunding Bonds, Series 2012, dated May 24, 2012; (b) \$7,040,000 outstanding principal amount of the City’s Sanitary Sewer Revenue Refunding Bonds, Series 2015, dated April 9, 2015; (c) \$9,800,000 outstanding principal amount of the City’s Sanitary Sewer Revenue Refunding Bonds, Series 2017, dated September 28, 2017; (d) \$23,805,000 outstanding principal amount of the City’s Sanitary Sewer Revenue Bonds, Series 2019, dated July 24, 2019; and (e) all additional bonds hereafter issued pursuant to Ordinance No. 18171 of the City (as amended and supplemented from time to time, the “**Ordinance**”), are payable solely from and are secured by a pledge of the net earnings (gross revenues less operating and maintenance expenses) of the System and money, if any, from time to time on deposit in certain funds and accounts created by the Ordinance. See “**INTRODUCTION,**” “**SECURITY,**” and “**APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE.**”

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2022 Bonds are not general obligations of the City and neither the full faith and credit of the City or the State of Nebraska (the “**State**”), nor any funds derived by the City from sources other than those specifically mentioned in the preceding paragraph, are pledged to the payment thereof. The Series 2022 Bonds are special, revenue obligations of the City and the principal or redemption price thereof and interest payable thereon do not constitute a debt or liability of the City, the State or any of its political subdivisions and neither the State nor any of its political subdivisions is liable thereon. The Series 2022 Bonds do not constitute a debt within the meaning of any constitutional or statutory debt limitation under the laws of the State. The Series 2022 Bonds and the interest thereon do not, directly or indirectly, obligate the City, the State or any political subdivision thereof to levy any form of taxation therefor or to make any appropriations for their payment, and the Series 2022 Bonds do not now and shall never constitute a charge against the general credit or taxing powers of the City, the State or any political subdivision thereof.

The Series 2022 Bonds are offered when, as, and if issued, subject to the approval of legality by Gilmore & Bell, P.C., Omaha, Nebraska, Bond Counsel to the City. It is expected that the Series 2022 Bonds will be available for delivery through DTC on or about October 27, 2022.

MATURITY SCHEDULE – SEE INSIDE COVER

PIPER SANDLER & CO.
Has Acted as Municipal Advisor with respect to the Series 2022 Bonds

The date of this Official Statement is October 12, 2022

MATURITY SCHEDULE

\$36,645,000

**THE CITY OF LINCOLN, NEBRASKA
SANITARY SEWER REVENUE BONDS
SERIES 2022**

<u>Maturity (June 15)</u>	<u>Principal Amount</u>	<u>Rate of Interest</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP Number</u>
2024	\$ 845,000	5.000%	3.020%	103.128%	534323 LC2
2025	885,000	5.000	3.080	104.817	534323 LD0
2026	930,000	5.000	3.100	106.477	534323 LE8
2027	980,000	5.000	3.120	108.048	534323 LF5
2028	1,025,000	5.000	3.170	109.369	534323 LG3
2029	1,080,000	5.000	3.220	110.551	534323 LH1
2030	1,130,000	5.000	3.260	111.670	534323 LJ7
2031	1,190,000	5.000	3.340	112.357	534323 LK4
2032	1,250,000	5.000	3.400 [±]	111.879	534323 LL2
2033	1,310,000	5.000	3.440 [±]	111.562	534323 LM0
2034	1,375,000	5.000	3.550 [±]	110.696	534323 LN8
2035	1,445,000	5.000	3.580 [±]	110.461	534323 LP3
2036	1,515,000	5.000	3.600 [±]	110.305	534323 LQ1
2037	1,590,000	5.000	3.640 [±]	109.993	534323 LR9
2038	1,670,000	4.000	4.000	100.000	534323 LS7
2039	1,740,000	4.000	4.050	99.395	534323 LT5
2040	1,810,000	4.000	4.100	98.749	534323 LU2
2041	1,880,000	4.000	4.200	97.428	534323 LV0
2042	1,955,000	4.000	4.250	96.689	534323 LW8
2043	2,035,000	4.000	4.300	95.919	534323 LX6
2045 [†]	4,320,000	4.125	4.340	96.916	534323 LZ1
2047 [†]	4,685,000	4.250	4.400	97.753	534323 MB3

[†]Term Bond.

[±]Yield to first optional call date of June 15, 2031.

**THE CITY OF LINCOLN, NEBRASKA
CITY OFFICIALS**

Leirion Gaylor Baird, Mayor

City Council Members

Tammy Ward (Chair)

Tom Beckius
Richard Meginnis
Bennie Shobe

James Michael Bowers
Jane Raybould
Sandra Washington

City Department Heads

Lyn Heaton	Finance Director
Yohance Christie.....	City Attorney
David Cary	Planning Director
Maggie Stuckey-Ross	Parks and Recreation Director
Kevin Wailes.....	LES Administrator and CEO
Dan Marvin	Urban Development Director
Jocelyn Golden.....	Interim Library Director
Elizabeth Elliott	Transportation and Utilities Director
Patricia Lopez	Health Director
Barb McIntyre.....	Human Resources Director
Chad Blahak.....	Building and Safety Director
Teresa Ewins	Police Chief
Dave Engler	Fire Chief

Melinda Jones, City Controller

Municipal Advisor

Piper Sandler & Co.
Lincoln, Nebraska

Underwriter

Key Banc Capital Markets
Cleveland, Ohio

Bond Counsel

Gilmore & Bell, P.C.
Omaha, Nebraska

Registrar and Paying Agent

BOKF, National Association
Lincoln, Nebraska

Independent Auditors

BKD, LLP
Lincoln, Nebraska

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, sales representative or other person has been authorized by the City or the Underwriter to give any information or to make any representations with respect to the Series 2022 Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2022 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the City and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2022 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2022 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES OR "BLUE SKY" LAWS. THE SERIES 2022 BONDS ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION. THE SECURITIES DESCRIBED HEREIN HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

FORWARD-LOOKING STATEMENTS

This Official Statement contains "forward-looking statements" within the meaning of federal securities laws. These forward-looking statements include statements about the City's future expectations, plans and strategies, and other statements that are not historical in nature. These forward-looking statements are based on the current expectations of the City. When used in this Official Statement, the words "project," "plan," "expect," "estimate," "budget," "intend," "anticipate," "should," "will," and similar expressions are intended to identify forward-looking statements. Forward-looking statements involve future risks and uncertainties that could cause actual results and experience to differ materially from the anticipated results or other expectations or assumptions expressed in forward-looking statements. The City undertakes no obligation to update any forward-looking statements contained in this Official Statement to reflect future events or developments.

TABLE OF CONTENTS

	Page
INTRODUCTION	1
AUTHORITY	1
SECURITY	2
PURPOSE	3
ESTIMATED SOURCES AND USES OF FUNDS	4
DEBT SERVICE REQUIREMENTS.....	5
BONDHOLDERS' RISKS	6
THE CITY OF LINCOLN, NEBRASKA SANITARY SEWER SYSTEM	10
Five-year Statement of Historical Operations and Debt Service Coverage	10
Sanitary Sewer Rates and Charges.....	11
General Information	12
Employee Information	17
THE SERIES 2022 BONDS	18
General	18
Book-Entry System	18
Optional Redemption	19
Mandatory Sinking Fund Redemption	19
Notice and Effect of Call for Redemption.....	19
Interchangeability and Transfer	20
RATING	20
TAX MATTERS.....	21
Opinion of Bond Counsel.....	21
Other Tax Consequences.....	21
CONTINUING DISCLOSURE.....	23
LITIGATION	23
LEGAL MATTERS.....	24
MUNICIPAL ADVISER	24
INDEPENDENT AUDITORS.....	24
MISCELLANEOUS	24
 THE CITY OF LINCOLN, NEBRASKA	 APPENDIX A
FINANCIAL STATEMENTS OF THE SYSTEM	APPENDIX B
SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE.....	APPENDIX C
FORM OF CONTINUING DISCLOSURE UNDERTAKING	APPENDIX D
BOOK-ENTRY SYSTEM.....	APPENDIX E
FORM OF BOND COUNSEL OPINION	APPENDIX F

OFFICIAL STATEMENT

\$36,645,000

THE CITY OF LINCOLN, NEBRASKA SANITARY SEWER REVENUE BONDS SERIES 2022

INTRODUCTION

This Official Statement is provided by The City of Lincoln, Nebraska (the “**City**”) to furnish information about the City, its municipally owned and operated sanitary sewer collection and treatment system (the “**System**”), and its \$36,645,000 Sanitary Sewer Revenue Bonds, Series 2022 (the “**Series 2022 Bonds**”). The Series 2022 Bonds are being issued pursuant to Ordinance No. 18171, duly passed by the Council on May 5, 2003 and approved by the Mayor on May 9, 2003, as amended and supplemented from time to time including, but not limited to an Ordinance passed by the Council on September 26, 2022 and approved by the Mayor on September 29, 2022 (collectively, the “**Ordinance**”). The Series 2022 Bonds, together with (a) \$16,195,000 outstanding principal amount of the City’s Sanitary Sewer Revenue Refunding Bonds, Series 2012, dated May 24, 2012 (the “**Series 2012 Bonds**”); (b) \$7,040,000 outstanding principal amount of the City’s Sanitary Sewer Revenue Refunding Bonds, Series 2015, dated April 9, 2015 (the “**Series 2015 Bonds**”); (c) \$9,800,000 outstanding principal amount of the City’s Sanitary Sewer Revenue Refunding Bonds, Series 2017, dated September 28, 2017 (the “**Series 2017 Bonds**”); (d) \$23,805,000 outstanding principal amount of the City’s Sanitary Sewer Revenue Bonds, Series 2019, dated July 24, 2019 (the “**Series 2019 Bonds**”); and (e) all additional sanitary sewer revenue bonds hereinafter issued by the City pursuant to the Ordinance and outstanding thereunder (collectively, the “**Bonds**”) are payable solely from and secured by a pledge of the Net Revenues (hereinafter defined) of the System. The City will use the proceeds of the Series 2022 Bonds, together with other legally available funds of the City to (a) finance all or a portion of the costs of acquiring, constructing, equipping and furnishing certain improvements to the City’s sanitary sewer system, (b) fund a 2022 Account in the Reserve Fund, and (c) pay the costs of issuing the Series 2022 Bonds.

Descriptions of and references to the Series 2022 Bonds, the Ordinance, related transaction documents and other matters do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the complete texts thereof, copies of which are available for inspection at the offices of Piper Sandler & Co., the City’s Municipal Advisor with respect to the Series 2022 Bonds, in Lincoln, Nebraska. Definitions of initially capitalized terms used in this Official Statement and a summary of the Ordinance may be found in “**APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE.**”

AUTHORITY

The Series 2022 Bonds are authorized pursuant to the provisions of Sections 15-244 and 18-1803 to 18-1805, inclusive, Reissue Revised Statutes of Nebraska, as amended, Article IX, Section 44 of the City’s Home-Rule Charter and the Ordinance. The Ordinance permits the issuance of additional sanitary sewer revenue bonds (the “**Additional Bonds**”) on a parity with the Series 2012 Bonds, the Series 2015 Bonds, the Series 2017 Bonds, the Series 2019 Bonds and the Series 2022 Bonds. See “**APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE—Additional Bonds.**”

SECURITY

The Series 2012 Bonds, the Series 2015 Bonds, the Series 2017 Bonds, the Series 2019 Bonds and the Series 2022 Bonds, together with any Additional Bonds hereafter issued by the City in accordance with the provisions of the Ordinance (collectively, the **“Bonds”**), are payable solely from and secured by a pledge of the Net Revenues. The Ordinance defines (a) **“Net Revenues”** as Revenues less Operation and Maintenance Expenses plus Depreciation, determined in accordance with generally accepted accounting principles for proprietary governmental operations such as the System, (b) **“Revenues”** as (1) total operating revenues, plus (2) interest income, plus (3) tap fees, plus (4) impact fees, if any, allocable to the System, plus (5) such other revenues and income as shall be determined to be appropriate in accordance with generally accepted accounting principles for proprietary governmental operations such as the System, (c) **“Operation and Maintenance Expenses”** as the necessary expenditures for operating and maintaining the System and shall include expenditures generally classified as operating expenses in accordance with generally accepted accounting principles for proprietary governmental operations such as the System and (d) **“Depreciation”** as depreciation and amortization expenses with respect to the System, classified as such in accordance with generally accepted accounting principles for proprietary governmental operations such as the System. **The full faith and credit of the City is not pledged to the payment of the Bonds.**

The Ordinance requires the City to fix, establish, maintain and collect such rates, charges and fees for sanitary sewerage services furnished by the System and revise such rates, charges and fees to produce Revenues each fiscal year sufficient (i) to pay all Operation and Maintenance Expenses, (ii) to produce Net Revenues equal to the annual debt service due and payable in such fiscal year of the then Outstanding Bonds; and (iii) to pay after deducting the amounts determined in (i) and (ii) above, all other financial obligations of the System reasonably anticipated to be paid from Revenues.

If the Net Revenues in any fiscal year are less than the amount specified in the preceding paragraph, the City will within sixty (60) days from the date of receipt of the annual audit for such fiscal year either (a) cause such rates and charges to be revised and adjusted to comply with the Ordinance or (b) obtain a written report from an independent consultant after a review and study of the operations of the System has been made concluding that, in its opinion, the rates and charges then in effect for the current fiscal year are sufficient or adjustments and revisions need to be made to such rates and charges to comply with the Ordinance and such adjustments and revisions to sanitary sewer rates and charges are promptly implemented and enacted in accordance with such consultant’s report.

The Ordinance establishes a 2022 Reserve Account for the Series 2022 Bonds and requires the deposit therein of an amount equal to the Reserve Requirement for the Series 2022 Bonds. The **“Reserve Requirement”** with respect to a Series (as defined in the Ordinance) of Bonds is defined to be the least of (a) 10% of the stated principal amount of such Series of Bonds, (b) the maximum annual principal and interest requirements on such Series of Bonds, or (c) 125% of the average annual principal and interest requirements on such Series of Bonds. If the aggregate initial offering price of such Series of Bonds to the public is less than 98% or more than 102% of par, such offering price shall be used in clause (a) in lieu of the stated principal amount. The Ordinance requires the creation of similar reserve accounts for Additional Bonds and Refunding Bonds hereafter issued pursuant to the Ordinance. **However, when all of the Outstanding Bonds (as of the date of issuance of the Series 2022 Bonds) are no longer Outstanding under the General Ordinance, any amounts then-existing in the Reserve Fund with respect to the Series 2022 Bonds are required to be released.** To the extent the Reserve Requirement for the Series 2022 Bonds is funded with proceeds of the Series 2022 Bonds, the released funds upon release shall be applied as set forth in the Tax Certificate.

See “**APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE**” for a summary of other covenants of the City, including provisions as to rates and charges for sanitary sewer service provided by the System, the issuance of Additional Bonds or Refunding Bonds, annual audits, disposition of property of the System, and other provisions for the security of the Bonds.

PURPOSE

The proceeds of the Series 2022 Bonds, together with other legally available funds of the City, will be used to (a) finance all or a portion of the costs of acquiring, constructing, equipping and furnishing certain improvements to the City’s sanitary sewer system, (b) fund a 2022 Account in the Reserve Fund, and (c) pay the costs of issuing the Series 2022 Bonds.

[The remainder of this page intentionally left blank]

ESTIMATED SOURCES AND USES OF FUNDS

SOURCES OF FUNDS:

Principal Amount of Series 2022 Bonds	\$ 36,645,000.00
Plus: Net Original Issue Premium	<u>1,142,458.65</u>

TOTAL SOURCES:	<u>\$ 37,787,458.65</u>
-----------------------	--------------------------------

USES OF FUNDS:

Construction Fund	\$ 35,002,327.40
2022 Account in Reserve Fund	2,495,412.50
Costs of Issuance (including Underwriter's Discount)	<u>289,718.75</u>

TOTAL USES:	<u>\$ 37,787,458.65</u>
--------------------	--------------------------------

[The remainder of this page intentionally left blank]

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for the City's outstanding Series 2012 Bonds, Series 2015 Bonds, Series 2017 Bonds and Series 2019 Bonds (the "**Outstanding Bonds**") for each of the fiscal years ending August 31:

<u>Year</u>	<u>Outstanding Bonds</u>	<u>Series 2022 Bonds</u>	<u>Aggregate Debt Service</u>
2023	\$ 6,938,725.00	\$ 1,043,994.58	\$ 7,982,719.58
2024	6,916,975.00	2,493,412.50	9,410,387.50
2025	6,927,575.00	2,491,162.50	9,418,737.50
2026	6,933,775.00	2,491,912.50	9,425,687.50
2027	6,920,735.00	2,495,412.50	9,416,147.50
2028	6,349,285.00	2,491,412.50	8,840,697.50
2029	3,752,885.00	2,495,162.50	6,248,047.50
2030	3,561,522.50	2,491,162.50	6,052,685.00
2031	2,709,350.00	2,494,662.50	5,204,012.50
2032	2,527,150.00	2,495,162.50	5,022,312.50
2033	1,532,250.00	2,492,662.50	4,024,912.50
2034	1,529,650.00	2,492,162.50	4,021,812.50
2035	1,531,500.00	2,493,412.50	4,024,912.50
2036	1,527,300.00	2,491,162.50	4,018,462.50
2037	1,532,200.00	2,490,412.50	4,022,612.50
2038	1,530,900.00	2,490,912.50	4,021,812.50
2039	1,528,550.00	2,494,112.50	4,022,662.50
2040	1,530,150.00	2,494,512.50	4,024,662.50
2041	1,530,550.00	2,492,112.50	4,022,662.50
2042	1,529,750.00	2,491,912.50	4,021,662.50
2043	1,527,750.00	2,493,712.50	4,021,462.50
2044	1,529,550.00	2,492,312.50	4,021,862.50
2045	-	2,495,068.76	2,495,068.76
2046	-	2,494,112.50	2,494,112.50
2047	-	2,491,575.00	2,491,575.00
Total	<u>\$71,898,077.50</u>	<u>\$60,873,613.34</u>	<u>\$132,771,690.84</u>

The table above excludes indebtedness to the Nebraska Department of Environment and Energy which is junior and subordinate to the Bonds. See footnote 4 to the "Five-year Statement of Historical Operations and Debt Service Coverage" table in this Official Statement.

[The remainder of this page intentionally left blank.]

BONDHOLDERS' RISKS

An investment in the Series 2022 Bonds is subject to certain risks. No person should purchase the Series 2022 Bonds unless such person understands the risks described below and is willing to bear those risks. There may be other risks not listed below which may adversely affect the value of the Series 2022 Bonds. In order to identify risk factors and make an informed investment decision, potential investors should review this entire Official Statement (including the Appendices hereto) in order to make an investment decision.

Failure to Meet Rate Covenant. The City is obligated by the Ordinance to establish rates necessary for the City to meet certain ratios with respect to its system revenues and debt service requirements. See “SECURITY” included elsewhere in this Official Statement. Various factors, including certain of the factors discussed elsewhere in “BONDHOLDERS’ RISKS” such as weather, regulations and use, could in the future cause the City to produce sanitary sewer system revenues below expectations and the City may not be able to raise rates in sufficient time to meet its debt service coverage requirements under the Ordinance.

Factors Affecting the Sanitary Sewer System

One or more of the following factors or events, or the occurrence of other unanticipated factors or events, could adversely affect the System operations and financial performance to an extent that cannot be determined at this time:

Changes in Management or Policies. Losses of or changes in key management personnel of the System or City policies could have a materially adverse effect on the financial performance of the System.

Future Economic Conditions. Increased unemployment or other adverse economic conditions or changes in the demographics of the City; an inability to control expenses in periods of inflation and difficulties in increasing charges could adversely affect the financial performance of the System to an extent that cannot be determined at this time.

Insurance Claims. Increases in the cost of third-party general liability insurance coverage and the amounts paid in settlement of liability claims not covered by third-party insurance could materially adversely affect the financial position of the System. The City maintains industry standard liability insurance coverage for the System.

Environmental Regulation. Utilities are subject to continuing environmental regulation. Federal, state and local standards and procedures that regulate the environmental impact of utilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there can be no assurance that facilities in operation will remain subject to the regulations currently in effect, will always be in compliance with future regulations or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in reduced operating levels and fines. Legislative, regulatory, administrative or enforcement actions involving environmental controls could also adversely affect the operation of the facilities of the System. For example, if property of the City is determined to be contaminated by hazardous materials, the City could be liable for significant clean-up costs even if it were not responsible for the contamination.

Natural Disasters or Terrorist Attacks. The occurrence of a terrorist attack in the City or natural disasters, such as fires, tornados, earthquakes, floods or droughts, could damage the City’s facilities, interrupt services or otherwise impair operations and the ability of the System to produce revenues.

Miscellaneous Factors. The utility industry in general has experienced, or may in the future experience, problems including (a) the effects of inflation on the costs of operation of facilities, (b) uncertainties in predicting future demand requirements, (c) increased financing requirements coupled with the increased cost and uncertain availability of capital, (d) compliance with rapidly changing environmental, safety and licensing regulations and requirements, and (e) impact of customer conservation.

Continuing Inflation

The City, like the rest of the country, has recently experienced significant increases in costs of gas, energy, and food, in addition to associated wage and salary pressures. Some cost increases are being driven by COVID-19-related supply chain disruptions, whereas others appear unrelated to the pandemic. Due to the varying contributors to the current inflationary environment, it is not possible to state with certainty the period of time over which the recent price increases will continue. The City also relies on highly skilled employees in many areas and if it does not offer or keep pace with prevailing market wages and salaries, it may have difficulty recruiting and retaining talent and face significant pressures in operating the System effectively. The City cannot predict the extent of inflationary pressures on its wages and salaries or other operating costs.

Infectious Diseases. Recent events with the COVID-19 pandemic have shown that an outbreak of infectious disease can trigger governmentally imposed restrictions and changes in consumer behavior which could negatively impact local economic conditions. Such changes can cause unemployment rates to rise, taxable sales to decrease, delinquencies in tax payments, and other negative pressures on economic activity which could result in decreased or delayed tax collections for the City.

With respect to the COVID-19 pandemic, economic conditions have stabilized in the State and nearly all restrictions have been lifted. The unemployment rate in the Lincoln Metropolitan Statistical Area as of June 2022 was 2.4% which reflected decreases from the June 2021 and June 2020 unemployment rates of 2.8% and 5.6%, respectively.

On August 22, 2022, the City Council adopted a biennial budget for fiscal years 2022-2023 and 2023-2024. The 2022-2024 biennial budget is balanced. The primary revenue sources for the tax funded budget are property tax (32%) and sales tax (40%). The City experienced a 10% increase in sales tax revenue in 2020-2021 and a 12% increase in sales tax revenue in 2021-2022. Following those increases, sales tax revenue is budgeted to be approximately the same in 2022-23 as the City actually received in 2021-22. The average sales tax increase for the last ten years is 5%. Prior to 2020-2021, the ten year average sales tax increase was 3.9%.

While conditions have significantly improved, the COVID-19 pandemic is ongoing. New, more harmful variants of the virus or significant spreading of existing variants of the virus could cause reduced health care availability and reduced economic activity. Such reduced economic activity could in turn negatively impact sales taxes, property values, or the delays in the collections of such taxes, and the operations and finances of the City could be negatively impacted.

Financial Condition of the City from Time to Time. No representation is made as to the future financial condition of the City. Certain risks discussed herein could adversely affect the financial condition or operations of the City in future.

Limitation of Rights Upon Insolvency. The United States Bankruptcy Code enables debtors (including municipalities such as the City) that are insolvent to obtain relief through a petition and plan that may result in the modification or delay of payments to creditors, including registered owners of the Series 2022 Bonds. In the event the City becomes insolvent, the registered owners of the Series 2022 Bonds could be treated as

general creditors of the City. The extent to which holders of Series 2022 Bonds are to be treated as a separate class or otherwise given priority over other claimants, including as to the Net Revenues, is a matter that would be subject to future determinations of Nebraska state and federal courts interpreting and applying both state law and the United States Bankruptcy Code. Procedures under the United States Bankruptcy Code or other insolvency laws could result in delays in payment and modifications of payment rights.

The State of Nebraska has authorized its political subdivisions to seek relief under the United States Bankruptcy Code; provided, however, recent limitations have been imposed by the State. In 2017, the Nebraska Legislature (the “**Legislature**”) passed and the Governor approved Legislative Bill 72 (“**LB 72**”), which prohibits a city or village in the State from filing for bankruptcy if its defined benefit retirement plan, if any, is below certain funding levels at the time of the filing of the bankruptcy petition as follows:

<u>Period of Petition Filing</u>	<u>Funded Ratio of Actuarial Value of Assets</u>
January 1, 2020 to January 1, 2023	Less than 51.65%
January 1, 2023 to January 1, 2026	Less than 54.41%
January 1, 2026 to January 1, 2029	Less than 58.21%
January 1, 2029 to January 1, 2032	Less than 63.41%
January 1, 2032 to January 1, 2035	Less than 70.71%
January 1, 2035 to January 1, 2038	Less than 80.61%
After January 1, 2038	Less than 90.00%

The City’s funded ratio for its only defined benefit retirement plan, the Police and Fire Pension Plan, based on the actuarial value of assets as of August 31, 2021 was 88.94%. The City expects that its funded ratio will increase over time, and does not believe that the limitation imposed by LB 72 would prohibit the City from filing for bankruptcy.

Nebraska Laws Related to Budgets and Taxation. The Nebraska Legislature has taken actions designed to reduce the reliance of local governmental units on property taxation. For a discussion of such changes, see “**NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION.**”

Cybersecurity. Security breaches, including electronic break-ins, computer viruses, attacks by hackers and similar breaches can create disruptions or shutdowns of the City and the services it provides, or the unauthorized access to or disclosure of personally identifiable information and other confidential or sensitive information. If personal or otherwise protected information is improperly accessed, tampered with or distributed, the City may incur significant costs to remediate possible injury to the affected persons beyond its current insurance policy, and the City may be subject to sanctions and civil penalties if it is found to be in violation of federal or state laws or regulations. While the City maintains and updates a robust information security program, no assurance can be given that such efforts will prevent a security breach. Any failure to maintain proper functionality and security of the City’s information systems could interrupt the City’s operations, damage its reputation, subject it to liability claims or regulatory penalties and could have a material adverse effect on its operations and financial condition. Further, at least one of the rating agencies factors the risk of such an attack into its ratings analysis, recognizing that a cyberattack could affect liquidity, public policy and constituent confidence, and ultimately credit quality.

Tax Matters and Loss of Tax Exemption. As discussed under the heading “**TAX MATTERS,**” the interest on the Series 2022 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Series 2022 Bonds, as a result of acts or omissions of the City in violation of its covenants related ongoing tax compliance for the Series 2022 Bonds. Should such an event of taxability occur, the Series 2022 Bonds would not be subject to a special prepayment and would remain outstanding until maturity or until prepaid under the prepayment provisions contained in the Series 2022 Bonds, and there is no provision for an adjustment of the interest rates on the Series 2022 Bonds. A

determination of taxability on the Series 2022 Bonds, after closing of the Series 2022 Bonds, could materially adversely affect the value and marketability of the Series 2022 Bonds.

It is possible legislation will be proposed or introduced that could result in changes in the way that tax exemption is calculated, or whether interest on certain securities are exempt from taxation at all. Prospective purchasers should consult with their own tax advisors regarding any pending or proposed federal income tax legislation. The likelihood of legislation being enacted cannot be reliably predicted.

Pending Federal Tax Legislation. From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals pending in Congress that could, if enacted, alter or amend one or more of the federal (or state) tax matters described herein in certain respects or would adversely affect the market value of the Series 2022 Bonds or otherwise prevent holders of the Series 2022 Bonds from realizing the full benefit of the tax exemption of interest on the Series 2022 Bonds. Further, such proposals may impact the marketability or market value of the Series 2022 Bonds simply by being proposed. It cannot be predicted whether or in what forms any of such proposals, either pending or that may be introduced, may be enacted and there can be no assurance that such proposals will not apply to the Series 2022 Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation threatened or commenced, which if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Series 2022 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2022 Bonds would be impacted thereby.

Suitability of Investment. The interest rate borne by the Series 2022 Bonds is intended to compensate the investor for assuming the risk of investing in the Series 2022 Bonds. Each prospective investor should carefully examine this Official Statement and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether the Series 2022 Bonds are an appropriate investment for such investor.

Secondary Market Not Established. There is no established secondary market for the Series 2022 Bonds, and there is no assurance a secondary market will develop for the purchase and sale of the Series 2022 Bonds. Prices of municipal bonds traded in the secondary market, if any, are subject to adjustment upward and downward in response to changes in the credit markets and changes in the operating performance of the entities operating the facilities subject to bonded indebtedness. From time to time it may be necessary to suspend indefinitely secondary market trading in selected issues of municipal bonds as a result of the financial condition or market position, prevailing market conditions, lack of adequate current financial information about the entity, operating the subject facilities, or a material adverse change in the operations of that entity, whether or not the subject bonds are in default as to principal and interest payments, and other factors which, may give rise to uncertainty concerning prudent secondary market practices.

Municipal bonds are generally viewed as long-term investments, subject to material unforeseen changes in the investor's circumstances, and may require commitment of the investor's funds for an indefinite period of time, perhaps until maturity.

EACH PROSPECTIVE PURCHASER IS RESPONSIBLE FOR ASSESSING THE MERITS AND RISKS OF AN INVESTMENT AND MUST BE ABLE TO BEAR THE ECONOMIC RISK OF SUCH INVESTMENT. THE SECONDARY MARKET FOR THE SERIES 2022 BONDS, IF ANY, COULD BE LIMITED.

Rating Loss. S&P Global Ratings ("S&P") has assigned a rating to the Series 2022 Bonds. See "RATING". Generally, rating agencies base their ratings on the information and materials furnished to them and on investigations, studies and assumptions of their own. There is no assurance that the rating will

continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of S&P, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Series 2022 Bonds.

Rating agencies are currently not regulated by any regulatory body. Future regulation of rating agencies could materially alter the methodology, rating levels, and types of ratings available, for example, and these changes, if ever, could materially affect the market value of the Series 2022 Bonds.

THE CITY OF LINCOLN, NEBRASKA SANITARY SEWER SYSTEM

Five-year Statement of Historical Operations and Debt Service Coverage

<u>Fiscal Year Ending August 31</u>	<u>Annual Discharge in H.C.F.⁽¹⁾</u>	<u>Revenue Per H.C.F.⁽¹⁾</u>	<u>Revenues⁽²⁾</u>	<u>Net Operating Costs⁽³⁾</u>	<u>Net Operating Revenue</u>	<u>Debt Service Requirement⁽⁴⁾</u>	<u>Debt Service Coverage</u>
2017	13,932,956	2.19	\$30,516,105	\$14,726,200	\$15,789,905	\$7,381,615	2.14
2018	15,247,938	2.12	32,381,312	14,863,221	17,518,091	6,961,103	2.52
2019	15,540,699	2.18	33,903,796	15,684,880	18,218,916	7,022,081	2.59
2020	14,198,880	2.41	34,260,409	17,071,500	17,188,909	8,527,128	2.02
2021	13,759,740	2.66	36,556,660	17,269,392	19,287,268	8,517,778	2.26

⁽¹⁾ H.C.F. = Hundred Cubic Feet

⁽²⁾ Revenues are (a) operating income, plus (b) investment income, plus (c) impact fees allocable to the System, the use of which by the City is unrestricted, plus (d) such other revenues and income as shall be determined to be appropriate in accordance with generally accepted accounting principles for proprietary governmental operations such as the System.

⁽³⁾ Total operating expense less depreciation.

⁽⁴⁾ Includes payments on a loan from the Nebraska Department of Environment and Energy, the proceeds of which were used to make improvements to the System. Payments on such loan from the Revenues are junior and subordinate to payments of the principal of and interest on the Bonds.

This Five-Year Statement of Historical Operating and Debt Service Results has been extracted from the audited financial statements of the System for the Fiscal Years indicated.

For the fiscal year ended August 31, 2021, taking into account the issuance of the Series 2022 Bonds, the estimated historical debt service coverage ratio would have been 1.74 times. Such calculation takes into account the maximum annual debt service for the Outstanding Bonds and the Series 2022 Bonds.

Sanitary Sewer Rates and Charges

The City's rates for the use of the System are fixed by the Council. The Council has increased rates periodically to maintain the System on a sound financial basis. The Council instituted a 4.00% increase effective November 15, 2020, and a 4.00% increase effective November 15, 2021.

(a) The basic sanitary sewer use unit charge as of August 31, 2021 is \$2.132.

(b) For any given residential property, the basic sanitary sewer use charge for each billing cycle shall be determined by multiplying for each such cycle the total amount of water (in hundreds of cubic feet) metered for said property during a billing cycle chosen by the Director of Transportation and Utilities from the most recent past winter, by the basic sanitary sewer use unit charge.

In the case of change of occupancy of residential property, if the Director reasonably determines that to compute the basic sanitary sewer use charge for a given billing cycle upon the amount of water used by such property during such winter billing cycle would be inequitable either to the City or to the user, the Director shall use the average amount of water used by like users during such winter billing cycle to compute such charge.

(c) For any non-residential property, the basic sanitary sewer use charge for a given billing cycle shall be determined by multiplying for each cycle the amount of water or wastewater, in hundreds of cubic feet, measured for said property during such cycle, by the basic sanitary sewer use unit charge.

(d) Non-residential users shall be given credit, at the same rate, for water not discharged into the sanitary sewers provided such water is separately metered with the approval of the Transportation and Utilities Department and at the customer's expense.

(e) Where a wastewater flow meter or other wastewater measuring device is required or permitted by the Director and is used to measure the volume of wastewater discharged into the Lincoln Sanitary Sewer System, such sanitary sewer use charge shall be computed thereon at the basic sanitary sewer use unit charge.

Monthly Service Charge. Regardless of whether a wastewater meter is used, there shall be a service charge per month to each property using the System, determined by the number and size of the water meters serving such property, to wit:

WATER METER SIZE	Effective November 2020 SERVICE CHARGE	Effective November 2021 SERVICE CHARGE
5/8 inch	\$ 3.81	\$3.96
3/4 inch	7.38	7.68
1 inch	13.14	13.67
1-1/2 inch	26.05	27.09
2 inch	41.72	43.39
3 inch	78.37	81.50
4 inch	130.70	135.93
6 inch	261.18	271.63
8 inch	417.94	434.66
10 inch	600.98	625.02

Sanitary Sewer Rates to Customers Outside City Limits. Customers located outside the city limits of the City and served by the System shall pay the same sanitary sewer rates charged to customers within the city limits of the City furnished to them by the System.

Largest Sanitary Sewer Users
(Discharge for Fiscal Year Ended August 31, 2021)

<u>User</u>	<u>Hundred Cubic Feet</u>	<u>Revenue</u>	<u>Percentage of Total Operating Revenue</u>
University of Nebraska	395,864	\$996,588	2.8%
State of Nebraska	258,925	607,283	1.7
Lincoln Industries, Inc.	125,536	292,120	0.8
Archer Daniels Midland Company	117,686	274,977	0.8
Bryan Health	99,634	242,401	0.7
University of Nebraska Foundation	92,562	211,008	0.6
AH 42 LLC / Zoetis	88,510	207,838	0.6
Lincoln Housing Authority	81,067	268,379	0.8
Lincoln Public Schools	74,287	261,289	0.7
Veyance Technologies, Inc.	66,696	156,690	0.4
Top Ten User Totals	1,400,767	\$3,518,573	

These users accounted for approximately 10% of the System's Revenues for the fiscal year ended August 31, 2021.

Number of Sanitary Sewer Customers

<u>Fiscal Year Ended (August 31)</u>	<u>Number of Customers</u>
2016-17	83,479
2017-18	84,300
2018-19	85,126
2019-20	86,425
2020-21	87,254

General Information

The City limits cover about 100 square miles, incorporating an estimated population of 291,082 as of April 1, 2020 (2020 US Census Data). An additional 40 square miles are predicted to become part of the community over the next 25 years, as outlined in the Comprehensive Plan. City policy requires annexation of land prior to providing service by the System. Currently, the System includes over 1,146 miles of pipeline, 16 wastewater lift stations, 2 water resource recovery facilities, and serves 87,254 residential, commercial, industrial, and institutional accounts.

Wastewater Collection. The existing System provides service to 13 major drainage basins. The System components include pipelines ranging in size from 8 to 90 inches in diameter and totals 1,146 miles in length; approximately 20,015 manholes; and 16 "siphon crossings" of stream channels. System flow-

through is generated predominantly by gravity; however, some portions of the System are served by wastewater lift (pumping) stations. There are 16 wastewater and 4 stormwater lift stations located throughout the collection portions of the System. Collection pipelines are primarily constructed of vitrified clay pipe (VCP), plastic pipe (PVC), reinforced concrete pipe (RCP), both lined (with protective PVC plastic liner) and unlined, centrifugally cast fiberglass reinforced polymer mortar, and ductile iron. The current minimum diameter or size of new sanitary sewer installed for any type of service area is eight inches.

The annual performance objectives for the System's service and maintenance personnel include:

- cleaning 200 miles of pipeline by high pressure jet flushing and other mechanical means;
- chemically treating or jet root cutting for root intrusion 200 miles of System pipeline and performing an average of 150 corrective pipeline repairs;
- rehabilitating or repairing 100 manholes;
- examining via internal television 100 miles of System pipeline; and
- upgrading, replacing, or rehabilitating approximately 10,000 lineal feet of sewer system.

Maintenance personnel also assist other operating sections in the division and within the Department of Transportation and Utilities with various maintenance functions and activities such as pavement replacement.

The System utilizes a computerized database and maintenance program to inventory:

- the service history of all lines, manholes, and siphons installed, repaired, and replaced;
- backups to or interruptions of service in the System;
- service taps and abandonments made or replaced;
- lines internally inspected and tested; and
- all components of the System cleaned, chemically treated, televised, or repaired.

As-built records of collection lines, manholes, and structures are maintained by the System applying the City's computer-aided design and records management for use and reference.

Automatic flow monitoring equipment continuously records data describing hydraulic flows at 44 selected key points in the collection side of the System. System personnel utilize a computerized integrated data collection and database management system to retrieve flow data from each of the remote locations, using conventional telephone and wireless technology. Precipitation data is obtained from weather stations located throughout the System. An average of 12,775 station days per year of hydraulic flow evaluations are performed and an average of 2,190 station days per year of precipitation data are collected. Collected information is utilized to identify potential sources of extraneous flow (infiltration and inflow), perform statistical correlations of precipitation to peak flows in the System, and develop design flow equations for sizing of wastewater pipelines, lift station pumping systems, and treatment facilities. This information is also used in combination with mobile television results to schedule pipeline repairs and replacement needs.

Industrial Pretreatment Program and Treatment Facilities Monitoring. Industrial discharges from 27 industries and commercial businesses are monitored by field sampling crews, allowing analytical examination of samples by laboratory staff. These measures ensure compliance with pretreatment permits and aid treatment plant operations. The industrial program is required by the Federal Clean Water Act and the State of Nebraska's Department of Environment and Energy (NDEE). A joint Memorandum of Understanding between NDEE and the City describes the City's essential pretreatment activities. System

personnel perform required monitoring and general administration for the various classified categorical industries and business identified under this program.

Laboratory results are used to monitor the performance of local industry and to make decisions about treatment facility unit process control and performance. A quarterly schedule is applied in sampling and testing of both categorical and non-categorical industries and businesses, including wastewater discharges into the System. A typical year for the laboratory and sample collection operations consists of the following:

- collecting 947 industrial sanitary sewer samples;
- performing 5,643 industrial analyses;
- 4,745 station days per year of corrosive and other gas monitoring within the collection system; and
- 46,800 individual analyses in support of treatment plant operation and regulatory reporting.

The resultant monitoring information is utilized for permit compliance and to assess surcharges to the specific discharger for waste strengths and loadings in excess of normal domestic wastewater characteristics. City staff provide technical assistance to commercial and industrial customers, enhancing the business operation while improving discharge characteristics.

Water Resource Recovery. Two water resource recovery facilities serve the community: (a) the Theresa Street facility (2400 Theresa Street) and (b) the Northeast facility (7000 North 70th Street). Collectively, these two facilities treat 28.2 million gallons per day as a 2021 annual average. Both operations discharge to Salt Creek, with the Theresa Street facility serving approximately 70% of the City and the Northeast facility serving the remaining 30% of the City.

Both facilities provide for secondary wastewater treatment to meet existing NDEE and Federal US EPA National Pollutant Discharge Elimination System (NPDES) permit limits, including the requirements of 40 CFR, Part 503 of the US EPA Sewage Sludge Regulations and Nebraska Surface Water Quality Standards. The System's facilities comply with local, State, and Federal Clean Air Emissions permit limits and requirements.

The current NDPEs permits for both water resource recovery facilities became effective on July 1, 2020 thru June 30, 2025. Prior nitrification treatment process improvements for the removal of ammonia and capacity improvements to meet future growth needs in the City began in August of 2004 for both the Northeast and Theresa Street facilities. Those nitrification improvements became operational at the Theresa Street facility in 2007 and in 2005 for the Northeast facility. Continuing maintenance and improvements are underway at Theresa Street that will replace/upgrade the diffusers that were installed with the 2007 project and improve air nutrient controls, blower efficiency and operation. This will be completed at the end of this year.

Reduction and treatment of odors, such as hydrogen sulfide, generated at the water resource recovery facilities are managed by chemical odor control methods at each treatment facility. Operations manages the biosolids land application program successfully with the local county agricultural crop producers. The treated biosolids meet the Class "B" requirements of 40 CFR, Part 503 of the US EPA Sewage Sludge Regulations.

A Supervisory Control and Data Acquisition (SCADA) system monitors and controls the daily operation of the treatment process, instrumentation, electrical controls, and equipment for both water resource recovery facilities. The SCADA system also monitors the operation of the collection system lift stations

and storm water pumping station operations. Facilities maintenance personnel utilize a computerized maintenance management system (CMMS) program to maintain a complete and comprehensive inventory and maintenance history of all daily treatment operations, equipment, site structures and facilities, preventative and corrective maintenance program of repairs and improvements, scheduled routine and capital improvements, unscheduled repairs, and other related site maintenance programs at both of the water resource recovery facilities. Treatment maintenance personnel are also responsible for maintenance of the 16 wastewater lift stations and 4 storm water pumping stations in the City.

Theresa Street Water Resource Recovery Facility. The original water resource recovery treatment facility at Theresa Street was constructed in 1923 and consisted of influent pumps and Imhoff tanks. Several improvements and upgrades to the facilities have occurred since that time. In general, the current Theresa Street facility liquid stream treatment process consists of preliminary treatment (influent screening pumping and grit removal), primary clarification, and advanced secondary treatment by the following secondary process treatment trains:

- The West Side Train (originally placed into service in 1966; modification and improvements for nitrification in October of 2000);
- The East Side Train (originally placed into service in 1973; modifications and improvements for nitrification completed in July of 2003); and
- The Central Train was completed in November 2007.

Each of the above processes is followed by secondary clarification and seasonal disinfection by the UV system of the treated effluent prior to discharge into Salt Creek.

The hydraulic and nitrification treatment capacities of the combined processes at the Theresa Street facility are as follows:

- Hydraulic capacity - 120 million per day (mgd)*
- Nitrification and capacity improvements - 27.4 mgd*

* Based on Excess Flow Capacity Study, HDR Engineering, April 19, 2016.

To meet growing population, the Central Train will be expanded providing treatment through 2050 increasing overall capacity from 27.4 MGD to 45.0 MGD.

CRES. The Centralized Renewable Energy System (CRES) receives a portion of the treated effluent from the Theresa Street facility to use for heating and cooling buildings on the Nebraska Innovation Campus (NIC). This is accomplished using a closed-loop system where thermal energy is transferred to or from the effluent prior to discharge to Salt Creek. Return water is monitored to ensure compliance with temperature requirements.

Solids generated by primary clarification and secondary treatment processes are anaerobically digested in egg-shaped digesters. Waste activated sludge solids from the secondary treatment process are thickened by centrifuges prior to anaerobic digestion. The anaerobically digested biosolids are dewatered, transported, and applied to agricultural croplands by private agricultural farmers each year within the County. The applied biosolids meet the Class “B” requirements of 40 CFR, Part 503 of the US EPA Sewage Sludge Regulations.

Methane gas produced by the anaerobic digestion process previously was used by electrical cogeneration units to generate electrical power and heat the anaerobic digester and related solids digestion buildings.

Construction of new facilities to replace the aging cogeneration units is now complete. The new facilities and process convert the digester biogas to pipeline quality renewable natural gas RNG to be marketed and used as vehicle fuel. This new process captures both the economic value of the RNG commodity as well as the value of the environmental attributes related to the vehicle consumption of RNG. This project was completed and on-line in October 2020.

Additionally, a liquid waste receiving facility provides for treatment of liquid wastes from such sources as septic tanks, chemical toilet wastes, mud sumps, grit traps, and other liquid wastes generated in the City and County. These waste products are transported by private liquid waste haulers to the Theresa Street liquid waste receiving and handling station. Sanitary Engineering and Operation Section personnel operate and monitor the quantity and strength of the liquid wastes each year and perform an evaluation and audit of the operation to set specific fees and rates for the handling and treatment of the wastes. System laboratory personnel review special liquid waste permits for each waste type received and perform an average of 3,600 tests and analyses per year on the wastes received at the station. These rates are currently being reviewed and updated.

Recent projects include replacement of seven of the eight raw lift pumps, two of the four barscreens, ultra-violet system from 44-72 million gallons, and nutrient upgrades that include diffuser replacement along with new automated online ammonia-based aeration control (ABAC) system.

Northeast Water Resource Recovery Facility. Construction of the original Northeast water resource recovery facility was completed in November 1980. Various improvements and upgrades to the facility have occurred since that time. In general, the current Northeast facility liquid stream treatment process consists of preliminary treatment (screening, pumping, and grit removal), primary clarification, advanced secondary treatment for ammonia removal (nitrification) by clarification, and seasonal disinfection prior to discharge to Salt Creek.

The current rated hydraulic and nitrification treatment capacities of the treatment processes at the Northeast facility are as follows:

- Existing treatment train (originally placed into service in 1980); and
- New East Side train (construction and startup occurred in December 2005).

Each of the above processes is followed by secondary clarification and seasonal disinfection by a UV system of the treated effluent prior to discharge to Salt Creek.

The hydraulic and nitrification treatment capacities of the combined processes at Northeast and are as follows:

- Hydraulic capacity - 40 MGD*
- Nitrification and capacity improvements - 10 MGD*

* Note: capacity estimates - "Pre-Design Report, Black & Veatch Engineers and Olsson Associates, 2003"

A portion of the treated wastewater effluent from the Northeast facility is being utilized for cooling water purposes at a nearby combined cycle electrical power generating station operated by Lincoln Electric System (LES). Spent LES cooling water (previously treated wastewater effluent) is returned to the Northeast facility for treatment under the requirements of an industrial pretreatment permit for this operation. System personnel monitor the returned cooling water for compliance with the pretreatment

permit and for assessing industrial surcharge fees in accordance with the pretreatment program. An interlocal agreement between the System and LES stipulates the terms and conditions for the use of the effluent and return of the cooling waters to the treatment facility.

Solids generated by primary clarification and secondary treatment processes are anaerobically digested in conventional round-shaped digesters. Currently, waste activated sludge solids from the secondary treatment process are thickened by rotary drum thickeners prior to anaerobic digestion. The anaerobically digested biosolids are currently thickened and pumped to a biosolids lagoon that is located on the City-owned biosolids injection site. The liquid biosolids are pumped from the lagoon and are injected sub-surface into the agricultural crop land at the injection site and into adjacent City-owned crop land. The injected biosolids meet the Class “B” requirements of 40CFR, Part 503 of the US EPA Sewage Sludge Regulations.

A project to dewater biosolids with centrifuges is underway with completion in the Fall 2022. The anaerobically digested biosolids will then be dewatered, transported, and applied to agricultural croplands by private agricultural farmers each year within the County. The applied biosolids will meet the Class “B” requirements of 40 CFR, Part 503 of the US EPA Sewage Sludge Regulations. Thereafter, the lagoon will be decommissioned and abandoned per regulations.

Methane gas produced by the anaerobic digestion process of treatment solids is used by solids heating boilers and heat exchangers for a hot water heating system to heat the anaerobic digesters and provide hot water for heating other on-site treatment process buildings and related solids digestion buildings.

The Northeast facility also receives and treats leachate from the City’s Bluff Road Municipal Solid Waste Landfill. An average of one million gallons per year of sanitary landfill leachate are received, treated, and monitored by System personnel.

Upgrades, repairs, rehabilitation, improvements, and new additions to the wastewater treatment facilities are designed according to criteria that generally follows the “Recommended Standards for Sewage Works” prepared by the Committee of the Great Lakes Upper Mississippi River Board of State Sanitary Engineers (otherwise known as the “**Ten State Standards**”). In addition, construction of the facilities follows those standards established by the US EPA and NDEE to ensure that the designed and operating treatment facilities will meet State and Federal Clean Water Act and NPDES permit requirements.

Summary. The System seeks to emphasize efficiency of operation, proactive planning, preventive maintenance, and application of new technology. Staffing and reorganization of the division has been adjusted using a process of competitive assessment. New treatment discharge limits and the growth of the City promise increasing Capital Improvement Program demands over the coming years.

Employee Information

The System has approximately 85 employees for the budgeted year 2022-23. All employees are currently represented by a bargaining unit, with the exception of two managers who are not currently represented. In addition to Social Security, the City has a contributory retirement plan for its employees, including employees of the System. The plan is a straight money purchase plan. Employee forfeitures are used to reduce the employer’s contribution. All past service costs and vested benefits are fully funded. The total retirement expense for employees of the System, including Social Security, was \$945,047 for the Fiscal Year ended August 31, 2021.

Those employees of the City charged with the management functions of the System, their areas of responsibility and related experience are as follows:

Elizabeth Elliott	Director of Transportation and Utilities Years of Related Experience: 8 Years with City of Lincoln: 9
Donna Garden	Assistant Director of Transportation and Utilities Years of Related Experience: 19 Years with City of Lincoln: 9
Cyndy Roth	Transportation and Utilities Business Manager Years of Related Experience: 19 Years with City of Lincoln: 9
Todd Boling	Superintendent of Water Resource Recovery Facility Years of Related Experience: 40 Years with City of Lincoln: 3
Brian Kramer	Superintendent of Wastewater Collection Years of Related Experience: 18 Years with City of Lincoln: 20

THE SERIES 2022 BONDS

General

The Series 2022 Bonds will be initially issued in fully registered, book-entry form only (see “**Book-Entry System**” under this heading), in denominations of \$5,000 or any integral multiple thereof, will have a date of original issue (the “**Date of Original Issue**”) of the date of delivery thereof, will bear interest from the Date of Original Issue payable semiannually on June 15 and December 15 of each year, commencing June 15, 2023, and will mature on June 15 in the years and in the principal amounts, and will bear interest at the rates (calculated on the basis of a 360-day year consisting of twelve, 30-day months) as set forth on the inside cover of this Official Statement. Each installment of interest shall be payable by check or draft mailed by BOKF, National Association, as the bond registrar and paying agent for the Series 2022 Bonds (the “**Registrar**”), on the due date thereof (or on the next business day if such due date falls on a Saturday, Sunday or bank holiday applicable to the Registrar) to the registered owner of a Series 2022 Bond as shown on the bond registration records maintained by the Registrar as of the Record Date (hereinafter defined) therefor. The principal of each Series 2022 Bond shall be payable only upon the surrender of such Series 2022 Bond to the Registrar. The “**Record Date**” for each installment of interest shall be the fifteenth day (whether a business day or not) next preceding such interest payment date.

Book-Entry System

General. The Depository Trust Company (“**DTC**”), New York, New York, will act as securities depository for the Series 2022 Bonds. The ownership of one fully registered Series 2022 Bond for each maturity, as set forth on the inside cover of this Official Statement, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as the nominee for DTC. Ownership interests in the Series 2022 Bonds will be available to purchasers only through a book-entry system maintained by DTC (the “**Book-Entry System**”). A description of DTC, the Book-Entry System and definitions of initially capitalized terms used herein are found in “**APPENDIX E—BOOK-ENTRY SYSTEM**” to this Official Statement.

Risk Factors. Beneficial Owners of the Series 2022 Bonds may experience some delay in their receipt of distributions of the principal or redemption price of and interest on the Series 2022 Bonds because such distributions will be forwarded by the Registrar to DTC, credited by DTC to its Direct Participants, and then credited to the accounts of the Beneficial Owners either directly or indirectly through Indirect Participants.

Because transactions in the Series 2022 Bonds can only be effected through DTC, DTC Participants and certain banks, the ability of a Beneficial Owner to pledge Series 2022 Bonds to persons or entities that do not participate in the Book-Entry System, or otherwise to take actions in respect of such Series 2022 Bonds, may be limited due to the lack of physical certificates. Beneficial Owners will not be recognized by the Registrar as registered owners for purposes of the Ordinance, and Beneficial Owners will be permitted to exercise the rights of registered owners only indirectly through DTC and DTC Participants.

Optional Redemption

Series 2022 Bonds maturing on or prior to June 15, 2031 are not subject to redemption prior to their stated maturities. Series 2022 Bonds maturing on or after June 15, 2032 are subject to redemption prior to maturity at the option of the City in whole or in part, at any time on or after June 15, 2031 in such principal amounts and from such maturity or maturities as the City shall specify and by lot in integral multiples of \$5,000 within a maturity at a redemption price equal to 100% of the principal amount then being redeemed, together with accrued interest on such principal amount to the date fixed for redemption.

Mandatory Sinking Fund Redemption

Series 2022 Bonds maturing on June 15, 2045 are subject to mandatory sinking fund redemption by lot on June 15 of the years and in the principal amounts specified below, at a redemption price equal to the principal amount thereof (with no redemption premium), plus accrued interest to the redemption date:

Years	Principal Amount
2044	\$2,115,000
2045*	2,205,000

*Maturity

Series 2022 Bonds maturing on June 15, 2047 are subject to mandatory sinking fund redemption by lot on June 15 of the years and in the principal amounts specified below, at a redemption price equal to the principal amount thereof (with no redemption premium), plus accrued interest to the redemption date:

Years	Principal Amount
2046	\$2,295,000
2047*	2,390,000

*Maturity

Notice and Effect of Call for Redemption

Notice of redemption will be mailed by first class mail by the Registrar not less than 30 days prior to the redemption date to the registered owner of each Series 2022 Bonds, all or a portion of which is called for redemption. Each notice of redemption shall designate the Series 2022 Bonds to which such notice relates, the Date of Original Issue of such Series 2022 Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and address of the Registrar), the CUSIP number (if any) of the maturity, and, if less than all of such maturity, the distinctive certificate numbers of the Series 2022 Bonds of such maturity to be redeemed and, in the case of any Series 2022 Bonds to be redeemed in part

only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of such Series 2022 Bonds the redemption price thereof or such specified portion of the principal amount thereof in the case of a Series 2022 Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such redemption date, interest thereon shall cease to accrue, and shall require that such Series 2022 Bonds be then surrendered at the address of the Registrar specified in the redemption notice. Failure of any owner to receive notice or any defect in any such notice shall not affect the sufficiency of the proceedings for redemption.

So long as DTC is effecting book-entry transfers of the Series 2022 Bonds, the Registrar will provide the notices of Series 2022 Bonds to be redeemed to DTC. It is expected that DTC will, in turn, notify the DTC Participants and that the DTC Participants, in turn, will notify or cause notification to be given to the Beneficial Owners. Any failure on the part of DTC or a DTC Participant, or failure on the part of a nominee of a Beneficial Owner of a Bond (having been mailed notice from the Registrar, a DTC Participant or otherwise) to notify the Beneficial Owner of the Bond so affected, will not affect the validity of the redemption of such Bond.

Interchangeability and Transfer

The Series 2022 Bonds, upon surrender thereof to the Registrar with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or its duly authorized attorney, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of Series 2022 Bonds in registered form of the same series, rate of interest, maturity and of any authorized denomination.

In all cases in which the privilege of exchanging or transferring the Series 2022 Bonds is exercised, the City shall execute and the Registrar shall deliver the Series 2022 Bonds in accordance with the Ordinance. For every such transfer or exchange of Series 2022 Bonds, the Registrar shall require the payment by the registered owner requesting such transfer or exchange of any tax or other governmental charges payable with respect thereto, and may charge a sum not exceeding the actual cost for each new Bond.

Neither the City nor the Registrar is required to make any such exchange or registration of transfer of Series 2022 Bonds during the period between a Record Date and the next succeeding interest payment date or, in the case of any proposed redemption of Series 2022 Bonds, after notice of the redemption of such Series 2022 Bonds or any portion thereof shall have been given pursuant to the Ordinance.

The foregoing procedures do not apply to Beneficial Owners, whose transfer and exchange privileges will be governed by the procedures described under **“THE SERIES 2022 BONDS—Book-Entry System”** herein so long as the Series 2022 Bonds are held in book-entry format.

RATING

S&P has assigned the Series 2022 Bonds the rating of “AA+.” Such rating reflects only the views of such organization, and an explanation of the significance of such rating may be obtained from S&P Global Ratings, 55 Water Street, New York, New York, 10041, telephone (212) 438-2124.

Generally, a rating agency bases its rating on such information and materials and investigations, studies and assumptions furnished to and obtained and made by the rating agency. The rating is not a recommendation to purchase, sell or hold a security, inasmuch as it does not comment as to market price or suitability for a particular investor. There is no assurance that the above rating will remain for any given period of time or

that it may not be lowered, suspended or withdrawn entirely by such rating agency if it deems circumstances are appropriate. Any downward change in, suspension or withdrawal of such rating may have an adverse effect on the market price of the Series 2022 Bonds.

TAX MATTERS

The following is a summary of the material federal and State of Nebraska income tax consequences of holding and disposing of the Series 2022 Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Series 2022 Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Nebraska, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Series 2022 Bonds in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Series 2022 Bonds.

Opinion of Bond Counsel

In the opinion of Gilmore & Bell, P.C., Bond Counsel to the City, under the law existing as of the issue date of the Series 2022 Bonds:

Federal and State of Nebraska Tax Exemption. The interest on the Series 2022 Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is exempt from income taxation by the State of Nebraska.

Alternative Minimum Tax. The interest on the Series 2022 Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax.

Bank Qualification. The Series 2022 Bonds have not been designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

Bond Counsel’s opinions are provided as of the date of the original issue of the Series 2022 Bonds, subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2022 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2022 Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2022 Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2022 Bonds, but has reviewed the discussion under the heading “**TAX MATTERS.**”

Other Tax Consequences

Original Issue Discount. For federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a Series 2022 Bond over its issue price. The stated redemption price at maturity of a Series 2022 Bond is the sum of all payments on the Series 2022 Bond other than “qualified

stated interest” (*i.e.*, interest unconditionally payable at least annually at a single fixed rate). The issue price of a Series 2022 Bond is generally the first price at which a substantial amount of the Series 2022 Bonds of that maturity have been sold to the public. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Series 2022 Bond during any accrual period generally equals (1) the issue price of that Series 2022 Bond, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Series 2022 Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Series 2022 Bond during that accrual period. The amount of original issue discount accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner’s tax basis in that Series 2022 Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of original issue discount.

Original Issue Premium. For federal income tax purposes, premium is the excess of the issue price of a Series 2022 Bond over its stated redemption price at maturity. The stated redemption price at maturity of a Series 2022 Bond is the sum of all payments on the Series 2022 Bond other than “qualified stated interest” (*i.e.*, interest unconditionally payable at least annually at a single fixed rate). The issue price of a Series 2022 Bond is generally the first price at which a substantial amount of the Series 2022 Bonds of that maturity have been sold to the public. Under Section 171 of the Code, premium on tax-exempt bonds amortizes over the term of the Series 2022 Bond using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the Series 2022 Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner, which will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Series 2022 Bond prior to its maturity. Even though the owner’s basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.

Sale, Exchange or Retirement of Series 2022 Bonds. Upon the sale, exchange or retirement (including redemption) of a Series 2022 Bond, an owner of the Series 2022 Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property actually or constructively received on the sale, exchange or retirement of the Series 2022 Bond (other than in respect of accrued and unpaid interest) and such owner’s adjusted tax basis in the Series 2022 Bond. To the extent a Series 2022 Bond is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Series 2022 Bond has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the Series 2022 Bonds, and to the proceeds paid on the sale of the Series 2022 Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner’s federal income tax liability.

Collateral Federal Income Tax Consequences. Prospective purchasers of the Series 2022 Bonds should be aware that ownership of the Series 2022 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, certain applicable corporations subject to the corporate alternative minimum tax, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, life insurance companies, and

taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2022 Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2022 Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Series 2022 Bonds, including the possible application of state, local, foreign and other tax laws.

Bond Counsel notes that for tax years beginning after December 31, 2022, the interest on the Bonds may be included in adjusted financial statement income of applicable corporations for purposes of determining the applicability and amount of the federal corporate alternative minimum tax.

CONTINUING DISCLOSURE

Continuing Disclosure Undertaking

The City is executing and delivering a Continuing Disclosure Undertaking for the benefit of the Beneficial Owners of the Series 2022 Bonds and in order to assist the Underwriter in complying with its obligations under Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the “**Rule**”). The City is the only “obligated person” with responsibility for continuing disclosure under the Rule.

The form of Continuing Disclosure Undertaking for the Series 2022 Bonds is included in this Official Statement as **APPENDIX D**.

Compliance with Prior Undertakings

The City believes that it has complied in all material respects during the past five years with its prior undertakings under the Rule, except that for the fiscal year ended August 31, 2021, the City failed to timely link its audited financial statements and operating data to one outstanding bond issue, and such disclosures were linked approximately 135 days late, and the City did not file notice of such late filing.

Electronic Municipal Market Access (“EMMA”)

All Annual Reports and notices of Material Events required to be filed by the City pursuant to the Continuing Disclosure Undertaking must be submitted to the MSRB through the MSRB’s Electronic Municipal Market Access system (“**EMMA**”). EMMA is an internet-based, online portal for free investor access to municipal bond information, including offering documents, material event notices, real-time municipal securities trade prices and MSRB education resources, available at www.emma.msrb.org. Nothing contained on EMMA relating to the City or the Series 2022 Bonds is incorporated by reference in this Official Statement.

LITIGATION

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2022 Bonds or questioning or affecting the validity of the Series 2022 Bonds or the proceedings and authority under which they are to be issued. None of the creation, organization or existence of the City or the title of the members of the Council or other officers of the City to their respective offices is being contested or questioned.

There is no litigation pending that in any manner questions the right of the City to pass the Ordinance pursuant to which the Series 2022 Bonds are being issued.

LEGAL MATTERS

All legal matters incident to the authorization and issuance of the Series 2022 Bonds are subject to the approval of Gilmore & Bell, P.C., Bond Counsel to the City. Bond Counsel has participated in the preparation of this Official Statement, but the factual and financial information appearing herein has been supplied or reviewed by certain officials of the City and other sources, as referred to herein, and Bond Counsel expresses no opinion or view as to the accuracy or sufficiency thereof.

MUNICIPAL ADVISOR

Piper Sandler & Co., Lincoln, Nebraska, is serving as municipal advisor to the City with respect to the Series 2022 Bonds. The municipal advisor has assisted the City in the preparation of this Official Statement and in other matters relating to the issuance of the Series 2022 Bonds and provided other financial advice regarding the City's financial plan.

INDEPENDENT AUDITORS

The financial statements of the System for the year ended August 31, 2021, included in “**APPENDIX B—FINANCIAL STATEMENTS OF THE SYSTEM**” to this Official Statement, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein.

MISCELLANEOUS

All estimates and assumptions herein have been made on the basis of the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates or assumptions are current or will be realized. So far as any statements herein involve matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

The information set forth in this Official Statement should not be construed as representing all of the conditions affecting the City or the Series 2022 Bonds.

This Official Statement is issued by the City.

THE CITY OF LINCOLN, NEBRASKA

APPENDIX A

THE CITY OF LINCOLN, NEBRASKA

THE CITY OF LINCOLN

General

Lincoln, the capital of Nebraska, is located in southeastern Nebraska near the center of population of the state. The City was originally incorporated in 1869. It is approximately midway between Chicago and Denver. It has an area of 101 square miles, and in its growth and development has annexed five other municipalities so that the City includes most of the urban area of Lancaster County. It enjoys a unique position in Nebraska as the center of the state governmental and educational activities.

Population

The 1980 population of the City was 171,932; the 1990 population was 191,972; the 2000 population was 225,588; and the 2010 population was 258,379, a 14.5 percent increase over the 2000 count. The 2010 count represents 90.5 percent of the population of Lancaster County, the county in which the City is located. The estimated 2021 population is 291,082.

City Government

The City, operating under a home rule charter, has a mayor-council form of government with an elected full-time chief executive, the Mayor, and an elected legislative body, the Council, composed of seven members. Three are elected at large and four by district on a nonpartisan basis for a term of four years. The administration of City government is performed under the direction of the Mayor by administrative departments.

City government has a broad range of responsibilities, including electric, water, and sanitary sewer systems, and an impressive park and playground system of over 7,815 acres maintained for public use, nine public swimming pools, and five public golf courses. The City has cooperated actively with the county government in several joint governmental buildings, and in other specific areas of responsibility, including health, planning, civil defense, data processing, tax collection, parks, and jail facilities. There are cooperative agreements with the United States government on parks and flood control, with the University of Nebraska on planning and property transfer, with the area Watershed District on flood control, and with the Lincoln School District on recreation.

Transportation

The Lincoln metropolitan area is served by Interstate 80, and U.S. Highways 2, 6, 34, and 77.

Lincoln is served by two commercial airports with daily shuttle service available between locations. The Lincoln Municipal Airport is located less than 4 miles from downtown and has daily departures to Chicago and Denver. Eppley Airfield, located in east Omaha, is 50 miles from downtown Lincoln and offers service from numerous airlines. Together the two airports offer more than 100 arrivals and departures daily. The Lincoln Municipal Airport also offers General Aviation services. The General Aviation runway is 8,649 feet long, and the runway is lit dusk to dawn.

Railroad transportation facilities include those of Burlington Northern/Santa Fe and Union Pacific, both maintaining yards in Lincoln. AMTRAK provides daily passenger and package express services. Ground transportation is furnished by Greyhound/Black Hills Stage Lines, multiple taxi companies, Uber and local StarTran bus services.

The mean commute time in Lincoln is 18 minutes and nearly 18 percent of area commuters spend less than 10 minutes on the road.

Government Center

The State Capitol, an architectural achievement located in Lincoln, is considered one of the most impressive in all the 50 states. Other state governmental facilities in the City include the Nebraska Educational Telecommunications facility, the Nebraska Game and Parks Commission headquarters, the Lincoln Regional Center (state hospital), and the Nebraska Penal Complex.

Federal agencies in Lincoln include regional offices of the U.S. Department of Agriculture (Mid-West Regional Technical Service Center), the Immigration & Naturalization Service and the Veterans Administration, as well as the state offices of other federal agencies. There is also a U.S. Veterans Medical Facility.

Lancaster County offices are also located in Lincoln, the county seat.

Education

The University of Nebraska, with approximately 24,431 students, Nebraska Wesleyan University, with approximately 2,100 students, Union College, with approximately 783 students, Purdue Global University, with approximately 288 students, Bryan LGH College of Health Sciences with approximately 750 students, and Southeast Community College, with approximately 9,302 students and a number of facilities for both full-time and part-time occupational training, are located in the City of Lincoln. The City's modern and progressive school system, with an enrollment of over 41,000 is served by 7 high schools, 13 middle schools, and 42 elementary schools. Lincoln is home to over 30 private and parochial schools. Lincoln's private school offerings range from pre-K to high school institutions. Affiliations include Roman Catholic, Lutheran, SDA, and nondenominational Christians.

Building Permits and Property Values

PROPERTY VALUE AND CONSTRUCTION LAST TEN YEARS

FISCAL YEAR	COMMERCIAL ¹ CONSTRUCTION		RESIDENTIAL ¹ CONSTRUCTION		PROPERTY VALUE ²		TOTALS
	# PERMITS	VALUE	# PERMITS	VALUE	COMMERCIAL	RESIDENTIAL	
2021	1,153	\$ 539,318,764	2,621	\$ 510,465,764	\$ 6,775,086,845	\$ 16,151,804,023	\$ 22,926,890,868
2020	852	278,467,784	2,128	404,061,832	6,349,850,359	15,805,225,977	22,155,076,336
2019	986	585,746,852	2,380	292,365,215	6,278,422,408	14,354,319,521	20,632,741,929
2018	1,036	308,714,552	3,014	352,657,602	5,582,574,159	13,997,042,582	19,579,616,741
2017	1,007	441,939,943	3,036	280,532,269	5,443,342,291	12,573,902,552	18,017,244,843
2016	1,038	285,396,259	2,891	248,194,698	5,264,621,434	12,353,764,148	17,618,385,582
2015	1,321	309,759,043	2,346	379,740,291	5,017,666,961	11,584,715,041	16,602,382,002
2014	1,197	264,070,303	2,300	249,343,435	4,962,314,863	11,403,992,418	16,366,307,281
2013	1,341	484,317,980	2,323	250,266,476	4,787,396,700	11,181,988,692	15,969,385,392
2012	1,372	338,918,061	2,319	186,712,560	4,476,953,562	10,745,000,908	15,221,954,470

¹ City of Lincoln, Building and Safety Department.

² Lancaster County Assessor.

Police and Fire Protection

Lincoln has sixteen fire stations manned by 308 firefighters and three police stations with 358 police officers.

City Employee Information

For the 2021-2022 fiscal year, contracts have been signed with all our unions. Unions include: the Lincoln Police Union (LPU) representing police officers; the International Association of Firefighters (IAF) representing firefighters, the Amalgamated Transit Union (ATU) representing transit workers, the Public Association of Government Employees (PAGE) representing labor, trades, and clerical personnel, the Lincoln City Employees Association (LCEA) representing supervisory, highly technical, and professional personnel, and the Lincoln M Class Employees Association (LMCEA) representing upper management, administration and professional personnel. The LPU and LMCEA contract will expire at the end of August 2022, PAGE and IAF will expire at the end of August 2023, and ATU and LCEA contracts will expire at the end of August 2024.

Since the inception of labor contracts in 1970, the City of Lincoln has been able to handle its labor relations in such a manner as to avoid interruptions, although it has been necessary to use the facilities of the Nebraska Commission of Industrial Relations on issues involving the International Association of Firefighters, International Brotherhood of Police Officers, and the Public Association of Government Employees.

SELECTED ECONOMIC INDICATORS

LINCOLN SMSA (LANCASTER COUNTY) NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT

	MAY 31, 2021		NOVEMBER 30, 2021	
	<u>Number Employed</u>	<u>Percent of Total</u>	<u>Number Employed</u>	<u>Percent of Total</u>
Industry Manufacturing:				
Durable Goods	8,433	4.5	8,606	4.5
Nondurable Goods	4,930	2.6	4,869	2.6
Total Industry Manufacturing	13,363	7.1	13,475	7.1
Nonmanufacturing:				
Natural Resource & Construction	10,354	5.5	10,315	5.5
Transportation, Warehousing & Utilities	10,318	5.5	10,618	5.6
Wholesale Trade	4,066	2.2	4,014	2.1
Retail Trade	17,956	9.6	18,605	9.9
Information	3,305	1.8	3,356	1.8
Finance, Insurance & Real Estate	11,364	6.1	11,088	5.9
Services (except domestic)	75,209	40.1	75,877	40.3
Government	41,527	22.2	41,162	21.8
Total Nonmanufacturing	174,099	93.0	175,035	92.9
TOTAL	187,462	100.1	188,510	100.0

Lincoln is proud to have some of the nation's leading industrial companies as local employers, including Goodyear Tire and Rubber Company, Burlington Northern Railroad, Archer-Daniels-Midlands Company, Kawasaki Motors Corporation USA, and Schneider Electric.

As of December 2021, the unemployment rate in Lincoln was 1.6%, among the lowest unemployment rates in the United States.

LINCOLN SMSA (LANCASTER COUNTY LABOR FORCE DATA 2021-2012) (For the Calendar Year Indicated)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Civilian Labor Force	188,166	188,745	186,998	184,089	178,854	177,616	176,130	176,594	177,962	176,563
Unemployment	3,023	5,451	4,385	4,574	4,661	4,920	4,668	5,279	6,176	6,366
Percent of Labor Force	1.6	2.9	2.3	2.5	2.6	2.8	2.7	3.0	3.5	3.6
Employment ¹	185,143	183,294	182,613	179,515	174,193	172,696	171,462	171,315	171,786	170,197

STATE OF NEBRASKA

Percent of Labor Force

Unemployment ¹	1.8	2.8	2.7	2.8	2.9	3.1	3.0	3.3	3.8	4.0
---------------------------	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

Source: State of Nebraska, Department of Labor

¹ 2021 Preliminary

**LINCOLN PRINCIPAL EMPLOYERS
CURRENT YEAR**

Employer	Employees	Rank	Percentage of Total City Employment
State of Nebraska	9,064	1	4.72 %
Lincoln Public Schools	7,780	2	4.06
University of Nebraska-Lincoln	5,983	3	3.12
Bryan Health	5,000	5	2.61
US Government	3,429	4	1.79
City of Lincoln	2,725	6	1.42
Saint Elizabeth Regional Medical Center	2,400	7	1.25
Burlington Northern Railroad	1,825	8	0.95
Madonna Rehabilitation Hospital	1,500	9	0.78
Duncan Aviation	1,237	10	0.64
Total	<u>40,943</u>		<u>21.34 %</u>

**DEMOGRAPHIC STATISTICS
LAST TEN YEARS**

Year	Population ¹	Per Capita Personal Income ²	School Enrollment ³
2021	291,082	\$	41,747
2020	289,102	53,057	41,674
2019	287,401	50,833	42,258
2018	284,736	49,886	42,020
2017	280,364	46,924	41,737
2016	277,348	45,511	40,109
2015	272,996	44,133	39,842
2014	268,738	43,399	39,066
2013	265,404	42,743	37,845
2012	262,341	41,584	36,902

Sources:

¹ U.S. Bureau of the Census, population estimates.

² U.S. Dept. of Commerce Bureau of Economic Analysis.

Per Capital Income is based on Lincoln Metropolitan Statistical Area, which includes all of Lancaster and Seward Counties. Per Capita Income for 2021 is unavailable.

³ Lincoln Public Schools.

Median age from the 2020 census was 33.5. Education statistics per the 2020 Census indicate that 93.3% of the population 25 years and older has a high school degree or greater with 39.6% of the same population holding a Bachelor's degree or greater.

**LINCOLN UTILITY CUSTOMERS
LAST TEN YEARS**

<u>Year</u>	<u>Water Customers</u>	<u>Gas Customers</u>	<u>Electricity Customers</u>
2021	87,578	100,525	143,797
2020	86,736	100,288	141,658
2019	85,460	99,421	140,034
2018	84,636	99,259	138,489
2017	83,797	98,600	136,641
2016	82,853	97,639	134,417
2015	82,058	96,680	132,672
2014	81,196	96,368	131,915
2013	80,418	95,480	130,537
2012	79,698	94,592	129,163

Source: Indicated Utility Companies



SELECTED FINANCIAL STATISTICS

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION ¹ LAST TEN FISCAL YEARS

Fiscal Year	General Government	Public Safety	Streets And Highways	Culture And Recreation	Economic Opportunity	Health And Welfare	Mass Transit	Debt Service	Totals
2021	\$ 66,768,481	97,809,248	31,183,868	28,168,478	15,390,008	34,349,001	22,913,739	38,429,649	335,012,472
2020	\$ 66,488,738	89,394,116	28,058,815	25,807,794	3,085,972	32,757,648	20,340,337	53,259,012	319,192,432
2019	61,932,785	88,641,405	28,872,044	33,703,112	13,771,289	22,527,910	18,867,231	44,573,054	312,888,830
2018	59,728,570	86,243,206	21,746,886	27,301,223	14,563,832	21,863,274	18,315,179	44,688,559	294,450,729
2017	58,560,593	81,171,971	20,634,650	26,730,859	13,034,266	23,116,621	13,439,363	45,301,015	281,989,338
2016	54,483,582	77,399,174	20,896,834	25,310,935	14,012,940	22,605,745	12,380,084	43,165,211	270,254,505
2015	50,714,491	75,625,163	19,464,370	24,538,296	14,773,423	23,038,785	15,539,838	38,634,986	262,329,352
2014	51,044,096	72,833,698	21,054,394	25,172,100	13,792,741	22,097,954	14,419,436	36,449,212	256,863,631
2013	42,761,424	72,489,536	18,355,326	22,323,942	12,831,193	21,339,175	11,980,828	31,721,325	233,802,749
2012	39,048,320	70,444,362	18,471,067	22,518,532	14,673,671	22,070,619	10,288,935	31,689,831	229,205,337

¹ Includes General, Special Revenue, and Debt Service Funds.

GENERAL GOVERNMENTAL REVENUES BY SOURCE ¹ LAST TEN FISCAL YEARS

Fiscal Year	Taxes And Special Assessment	Inter-Governmental	Permits And Fees	Reimbursement For Services	Investment Earnings	Other	Totals
2021	\$ 239,609,916	111,296,869	28,245,058	15,358,830	15,526,322	13,361,575	423,398,570
2020	\$ 232,387,576	72,330,346	24,371,734	17,329,391	7,821,284	11,175,430	365,415,761
2019	215,533,782	70,773,739	26,301,490	18,074,725	8,009,926	11,230,362	349,924,024
2018	220,143,985	72,965,698	25,157,171	18,348,789	5,859,234	12,953,023	355,427,900
2017	213,096,181	74,133,945	25,823,013	17,102,484	6,868,335	14,794,365	351,818,323
2016	202,860,560	64,711,049	25,704,855	16,807,455	6,249,869	10,542,628	326,876,416
2015	182,765,313	70,694,942	25,327,804	16,083,267	1,006,466	11,026,123	306,903,915
2014	172,251,539	79,378,553	23,794,402	14,283,172	10,571,021	10,985,173	311,263,860
2013	166,316,730	81,340,882	22,936,015	8,341,522	1,732,354	12,037,497	292,705,000
2012	161,333,989	68,267,660	20,239,031	7,850,732	4,744,887	20,209,185	282,645,484

¹ Includes General, Special Revenue, and Debt Service Funds.

**SPECIAL ASSESSMENT COLLECTIONS
LAST TEN YEARS¹**

Fiscal Year Ended <u>August 31</u>	Special Assessment Collections <u>Including Interest</u>
2021	\$ 1,600,711
2020	1,422,630
2019	1,622,878
2018	1,600,742
2017	1,694,846
2016	1,585,717
2015	1,590,119
2014	1,577,645
2013	1,021,572
2012	1,151,931

¹ Special assessment collections are not tracked by levy year, therefore the portion of collections during any year that apply to any levy cannot be determined.

Authority to Levy Taxes

Article IX, Section 3 of the Home Rule Charter of the City provides that the City shall have power to levy a tax each year for general revenue purposes upon all property subject to taxation; provided that the maximum amount of taxes that can be levied by the City in any one year for general revenue purposes shall not exceed an amount known as the City tax limit. The City tax limit is a tax ceiling established by using the September 1, 1966 City dollar tax limit as an initial tax limit, and increasing that tax limit each year following 1966 by 7% so that in each fiscal year thereafter, the amount of the City tax limit shall be the amount of the city tax limit for the previous year, plus 7% thereof. In addition, the City also has the power to levy taxes each year sufficient to pay any judgment existing against the City and the interest on bonded debt and the principal on any bonded debt maturing during the fiscal year or within six months thereafter, as well as taxes authorized by state law. The City is also authorized to receive all taxes collected and distributed pursuant to state law and in lieu of tax payments imposed by law. The 2021 tax levy for the 2021-2022 fiscal year is \$198,073,819 below the legal limit, a tax rate per \$100 valuation of .31793. The assessed value upon which the 2021 levy is based is \$26,730,353,054. By charter, only 90% of the property tax levy may be appropriated.

For the 2021-2022 fiscal year the City is subject to a state-imposed lid on the appropriation of “restricted funds”, that are revenues received from property tax, sales tax, state aid, in-lieu of tax and highway allocation fees. Bonded indebtedness, capital improvements, and costs associated with inter local agreements are exempt from the lid. For 2021-2022 the City can also use authority equal to the greater of 2.5% or the amount of real growth in the tax base which was 3.65%. An additional 1% can be authorized by a 75% vote of the City Council and was utilized for the 2021-2022 budget. The 2021-2022 budget is \$4,226,921 below the state-imposed lid limit.

**PROPERTY TAX LEVIED AND COLLECTED
LAST TEN YEARS**

The fiscal year of the City begins September 1 and ends August 31. Taxes are levied in October. First installments of real estate taxes are delinquent the following April 1, second installments delinquent August 1; personal property taxes are delinquent April 1 and August 1. Delinquent taxes bear 14 percent interest. The figures below include interest and penalties. The figures below do not include motor vehicle in lieu of ad valorem taxes.

Fiscal Year Ended August 31	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Accumulated Collections As Of August 31, 2021	
		Amount	Percent	Amount	Percent
2021	\$ 76,837,371	\$ 75,159,229	97.82 %	\$ 75,159,229	97.82 %
2020	74,373,669	72,577,018	97.58 %	72,577,018	97.58
2019	68,475,360	66,842,290	97.62	68,410,430	99.91
2018	64,820,459	63,903,976	98.59	64,820,439	100.00
2017	62,977,104	61,735,542	98.03	62,977,061	100.00
2016	58,944,563	57,685,951	97.86	58,923,184	99.96
2015	55,459,815	54,235,009	97.79	55,440,267	99.96
2014	53,880,835	52,616,370	97.65	53,868,289	99.98
2013	52,460,687	51,226,109	97.65	52,435,843	99.95
2012	50,168,325	48,788,943	97.25	50,151,243	99.97

TEN LARGEST TAXPAYERS

Listed below are the ten largest taxpayers in the City of Lincoln as reported by the County Assessor. These taxpayers each pay less than five percent of the total taxes levied.

Taxpayers	Type of Business	2021 Assessed Valuations	Percentage Of Total Assessed Valuation
B & J Partnership Ltd.	Building Management	\$ 178,268,500	0.75%
Burlington Northern	Railroad	141,622,129	0.57%
Allo Communications LLC	Communication	129,321,896	0.56%
Nebco	Construction/Development	95,887,951	0.35%
RED Capital Management	Retail Management	66,302,900	0.29%
Ameritas Life Insurance Corp	Insurance	64,615,184	0.27%
Kawasaki	Manufacturing	66,007,463	0.25%
WEA Gateway LLC	Retail Management	59,851,800	0.25%
Windstream	Telecommunications	54,379,833	0.24%
BVCEAI Lincoln I Apartments LLC	Real Estate Development	48,311,233	0.20%
		<u>\$ 904,568,889</u>	<u>3.73%</u>

CITY SALES TAX INFORMATION

The City had a one percent (1%) sales and use tax through June 30, 1985. Effective July 1, 1985 the sales and use tax was raised to one- and one-half percent (1.5%). These taxes are administered and collected for the City by the State of Nebraska. The State receives two- and one-half percent (2.5%) for their service. The City has had a sales tax since 1969.

SALES AND USE TAX COLLECTIONS LAST TEN YEARS

Year Ended August 31	Amount
2021	\$ 88,723,756
2020	80,343,337
2019	78,563,436
2018	76,812,830
2017	75,259,945
2016	71,621,717
2015	68,861,600
2014	66,393,391
2013	63,134,808
2012	61,472,342

GENERAL FUND TAX COLLECTIONS LAST TEN YEARS

Fiscal Year	Property and Motor Vehicle Taxes	Sales and Use Taxes	Sundry Taxes	Taxes In Lieu	Occupation Taxes	Total
2021	\$ 61,923,848	\$ 88,723,756	\$ 26,441	\$ 2,197,903	\$ 6,204,868	\$ 159,076,816
2020	55,648,747	80,343,337	30,791	2,248,961	8,128,463	146,400,299
2019	50,054,765	78,563,436	40,315	2,300,935	8,420,903	139,380,353
2018	46,009,808	76,812,830	31,436	2,208,834	8,758,996	133,821,904
2017	42,669,103	75,259,945	33,512	2,260,572	9,494,397	129,717,529
2016	40,564,330	71,621,717	26,396	2,119,674	9,617,902	123,950,019
2015	37,333,435	68,861,600	31,314	2,120,619	11,024,711	119,371,679
2014	37,428,736	66,393,391	31,218	2,042,148	11,184,522	117,080,015
2013	34,599,257	63,134,808	28,713	1,962,330	11,741,366	111,466,474
2012	33,574,992	61,472,342	31,610	1,936,396	12,583,795	109,599,135

**TAXABLE ASSESSED VALUATION
LAST TEN YEARS ¹**

Fiscal Year Ended August 31,	Real Estate	All Other	Total
2021	\$ 22,926,890,868	\$ 1,072,840,928	\$ 23,999,731,796
2020	22,155,576,336	1,111,587,131	23,267,163,467
2019	20,632,741,929	1,037,615,147	21,670,357,076
2018	19,579,616,741	937,318,112	20,516,934,853
2017	18,017,244,843	853,580,721	18,870,825,564
2016	17,618,385,582	838,933,170	18,457,318,752
2015	16,602,382,002	777,744,371	17,380,126,373
2014	16,366,307,281	744,661,478	17,110,968,759
2013	15,969,385,392	706,811,504	16,676,196,896
2012	15,221,954,470	678,874,343	15,900,828,813

Property is assessed at actual value; therefore, the assessed values are equal to actual value.

**TOTAL PROPERTY TAX LEVIES
ALL OVERLAPPING GOVERNMENTS
LAST TEN YEARS ¹**

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
City of Lincoln	0.3198	0.3198	0.3165	0.3165	0.3337	0.3196	0.3196	0.3158	0.3158	0.3158
School District No. 1	1.2220	1.2222	1.2241	1.2389	1.2397	1.2429	1.2434	1.2441	1.2447	1.2461
Lancaster County	0.2816	0.2816	0.2666	0.2666	0.2753	0.2783	0.2813	0.2813	0.2843	0.2683
Educational Service Unit #18	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150
Community Technical College	0.0937	0.0937	0.0907	0.0907	0.0752	0.0757	0.0598	0.0667	0.0627	0.0627
Lower Platte South Natural Res. Dist.	0.0300	0.0309	0.0312	0.0321	0.0335	0.0345	0.0358	0.0361	0.0378	0.0398
Lancaster County Correctional JPA City	0.0086	0.0093	0.0110	0.0141	0.0153	0.0156	0.0168	0.0172	0.0177	0.0185
Lancaster County Correctional JPA County	0.0068	0.0070	0.0075	0.0079	0.0085	0.0088	0.0094	0.0096	0.0099	0.0105
Railroad Transportation Safety Dist.	0.0147	0.0147	0.0222	0.0222	0.0190	0.0160	0.0130	0.0130	0.0100	0.0260
Agricultural Society of Lancaster County	0.0014	0.0014	0.0014	0.0014	0.0015	0.0015	0.0015	0.0015	0.0015	0.0016
Lancaster County Fairgrounds	0.0024	0.0025	0.0028	0.0028	0.0030	0.0031	0.0033	0.0034	0.0037	0.0037
Public Building Commission	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0167	0.0170
	<u>2.0130</u>	<u>2.0151</u>	<u>2.0060</u>	<u>2.0252</u>	<u>2.0367</u>	<u>2.0280</u>	<u>2.0159</u>	<u>2.0207</u>	<u>2.0198</u>	<u>2.0250</u>

¹ The assessment rate is 100% of market and the levy is expressed as the tax per \$100 of estimated market value.

DEBT MANAGEMENT

OUTSTANDING INDEBTEDNESS AS OF AUGUST 31, 2021

Long-term debt is comprised of the following individual issues (in thousands of dollars)

Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
General Obligation Bonds:							
General Bonds:							
8,090	06/26/12	Refunding	1.000 - 3.000	Serial 2013 to 2023	-	Semiannually	1,325
6,385	03/20/13	Stormwater Bonds	2.000 - 4.000	Serial 2014 to 2029	2023	"	3,845
1,515	03/20/13	Stormwater Bonds	3.125	Term 2032	2023	"	1,515
5,720	04/15/15	Stormwater Refunding Bonds	1.000 - 5.000	Serial 2016 to 2025	-	"	2,450
6,300	06/28/16	Stormwater Bonds	2.000 - 3.000	Serial 2017 to 2036	2026	"	5,190
4,345	09/20/17	Stormwater Refunding Bonds	2.000 - 5.000	Serial 2018 to 2027	-	"	2,900
9,900	08/08/19	Stormwater Bonds	2.750 - 5.000	Serial 2019 to 2039	2029	"	9,590
4,140	08/20/20	Stormwater Refunding Bonds	5.00	Serial 2021 to 2030	-	"	3,805
Total General Bonds							\$ 30,620
Tax Allocation Bonds:							
601	06/01/07	Tax Allocation Bonds	5.240	Serial 2008 to 2018	Anytime	Semiannually	307
71	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2017	Anytime	"	5
547	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	50
200	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	10
3,375	07/28/09	Tax Allocation Bonds	2.500 - 6.400	Serial 2011 to 2023	Anytime	"	980
263	04/01/11	Tax Allocation Bonds	3.990	Serial 2011 to 2022	Anytime	"	34
103	04/15/13	Tax Allocation Bonds	2.370	Serial 2013 to 2025	Anytime	"	37
140	07/01/16	Tax Allocation Bonds	2.200	Serial 2016 to 2028	Anytime	"	88
600	12/01/16	Tax Allocation Bonds	2.300	Serial 2018 to 2021	Anytime	"	77
110	05/01/17	Tax Allocation Bonds	2.740	Serial 2018 to 2024	Anytime	"	53
128	03/15/19	Tax Allocation Bonds	3.090	Serial 2020 to 2034	Anytime	"	119
180	10/14/16	Tax Allocation Bonds	1.240	Serial 2022 to 2035	Anytime	"	180
120	11/30/16	Tax Allocation Bonds	1.420	Serial 2021 to 2034	Anytime	"	116
222	12/31/16	Tax Allocation Bonds	1.450	Serial 2021 to 2034	Anytime	"	214
192	12/31/16	Tax Allocation Bonds	1.450	Serial 2022 to 2035	Anytime	"	192
52	05/31/17	Tax Allocation Bonds	2.060	Serial 2022 to 2035	Anytime	"	52
Total Tax Allocation Bonds							\$ 2,514
Tax Supported Bonds:							
28,095	06/06/12	Highway Allocation Fund Refunding	1.000 - 5.000	Serial 2012 to 2023	-	Semiannually	8,545
14,735	12/15/16	Highway Allocation Fund Refunding	2.000 - 5.000	Serial 2018 to 2027	2026	"	9,415
21,765	08/20/20	Limited Tax Arena Bonds	.200-3.000	Serial 2021 to 2037	2030	"	20,615
15,260	05/14/17	Highway Allocation Fund Bonds	2.000 - 5.000	Serial 2022 to 2037	2029	"	15,260
Total Tax Supported Bonds							\$ 53,835
Special Assessment Bonds:							
825	08/18/11	Special Assessment	0.400 - 3.700	Serial 2012 to 2026	2016	Semiannually	310
375	08/18/11	Special Assessment	4.200	Term 2031	2016	"	375
3,000	11/23/11	Special Assessment	2.000 - 3.500	Serial 2012 to 2031	2021	"	1,695
Total Special Assessment Bonds							\$ 2,380
West Haymarket Joint Public Agency							
31,515	09/08/10	Facility Bonds Taxable Build America Bonds	3.500 - 4.45	Serial 2020 to 2030	Anytime	Semiannually	29,075
68,485	09/08/10	Facility Bonds Taxable Build America Bonds	4.750 / 5.000	Term 2035 & 2045	Anytime	"	68,485
15,785	12/01/10	Facility Bonds Taxable Build America Bonds	4.000 - 5.000	Serial 2020 - 2025	Anytime	"	13,345
52,180	12/01/10	Facility Bonds Taxable Build America Bonds	5.400 / 5.800 / 6.000	Term 2030 2035 2039	Anytime	"	52,180
32,035	12/01/10	Recovery Zone Economic Development	6.750	Term 2045	Anytime	"	32,035
20,850	12/04/13	Facility Bonds	2.000 - 5.000	Serial 2014 to 2038	2023	"	16,840
7,325	12/04/13	Facility Bonds	4.500	Term 2043	2023	"	7,325
88,270	11/21/19	Facility Bonds Refunding Bonds	2.375-3.050	Serial 2022 to 2040	2029	"	88,270
55,710	11/21/19	Facility Bonds Refunding Bonds	3.250	Term 2042	2029	"	11,730
Total West Haymarket Joint Public Agency							\$ 319,285
TOTAL GENERAL OBLIGATION BONDS							\$ 408,634
Revenue Bonds:							
38,290	05/24/12	Wastewater Revenue Refunding	1.000 - 5.000	Serial 2013 to 2028	2023	Semiannually	\$ 18,640
12,220	04/09/15	Wastewater Revenue Refunding	1.000 - 4.000	Serial 2016 to 2030	2025	"	7,830
13,235	09/13/17	Wastewater Revenue Refunding	2.000 - 5.000	Serial 2018 to 2032	2027	"	10,585
20,120	07/24/19	Wastewater Revenue Bonds	2.000 - 5.000	Serial 2020 to 2040	2029	"	18,785
2,760	07/24/19	Wastewater Revenue Bonds	3.00	Term 2042	2029	"	2,760
2,925	07/24/19	Wastewater Revenue Bonds	3.00	Serial 2043 to 2044	2029	"	2,925
Total Wastewater Bonds							\$ 61,525
10,895	06/21/12	Water Revenue Refunding	1.000 - 4.000	Serial 2013 to 2022	N/A	Semiannually	965
28,595	05/30/13	Water Revenue Refunding	1.000 - 5.000	Serial 2013 to 2025	2023	"	10,150
10,170	08/20/19	Water Revenue Refunding	2.750 - 5.000	Serial 2020 to 2039	2029	"	9,225
Total Water Bonds							\$ 20,340
48,375	07/11/19	General Obligation Parking System and Refunding Bonds	2.300 - 3.000	Serial 2020 to 2035	2029	Semiannually	36,890
Total Parking Bonds							\$ 6,655
Total Parking Bonds							\$ 43,545
8,340	02/26/13	Solid Waste Management Revenue and Refunding	.250 - 4.000	Serial 2013 to 2029	2023	Semiannually	3,045
5,520	07/08/15	Solid Waste Management Revenue	2.000 - 5.000	Serial 2016 to 2035	2025	"	\$ 4,370
Total Solid Waste Management Bonds							\$ 7,415
93,045	10/01/03	Electric Revenue and Refunding Bonds	3.000 - 5.000	Serial 2004 to 2026	2013	Semiannually	1,150
247,150	08/15/12	Electric Revenue and Refunding Bonds	1.000 - 5.000	Serial 2013 to 2032	2022	"	24,865
75,525	06/20/13	Electric Revenue and Refunding Bonds	2.700- 5.000	Serial 2021 to 2025	2023	"	75,525
127,630	03/11/15	Electric Revenue and Refunding Bonds	3.000 - 5.000	Serial 2019 to 2036	2025	"	32,885
40,170	03/11/15	Electric Revenue and Refunding Bonds	4.00	Term 2040	2025	"	40,710
116,645	09/01/16	Electric Revenue Refunding Bonds	3.000 - 5.000	Serial 2017 to 2034	2027	"	65,960
121,205	07/01/18	Electric Revenue Bonds	3.000 - 5.000	Serial 2025 to 2034	2027	"	121,205
72,200	01/29/16	Electric Revenue Bonds	5.00	Serial 2025 to 2033	2027	"	72,200
185,150	09/22/16	Electric Revenue Refunding Bonds	.400 - 2.100	Serial 2023 to 2037	2027	"	185,150
Total Electric Bonds							\$ 619,650
TOTAL REVENUE BONDS							\$ 752,475

The annual requirements to pay principal and interest on all outstanding debt are as follows (in thousands of dollars):

Governmental Activities						
Fiscal Year Ended August 31						
	General Obligation Bonds		Note from Direct Borrowing		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 15,526	17,062	132	36	6,103	1,308
2023	20,235	16,465	135	33	5,793	1,331
2024	19,651	15,667	137	31	5,915	1,104
2025	16,935	14,948	140	28	4,885	872
2026	16,719	14,285	143	25	4,910	678
2027 - 2031	80,724	61,685	759	82	10,970	1,408
2032 - 2036	85,128	44,231	409	12	2,770	244
2037 - 2041	78,650	28,256	-	-	565	37
2042 - 2046	70,655	8,922	-	-	-	-
2047 - 2051	-	-	-	-	-	-
Total	\$ 404,223	221,521	1,855	247	41,911	6,982

Business-Type Activities						
Fiscal Year Ended August 31						
	Revenue Bonds		Loans/Note from Direct Borrowing		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 39,605	26,513	1,923	560	426	61
2023	41,800	24,453	1,964	519	249	67
2024	42,525	22,527	2,006	477	258	58
2025	49,745	21,538	2,049	434	181	48
2026	45,745	20,442	2,093	390	125	41
2027 - 2031	245,505	76,203	11,058	1,259	735	106
2032 - 2036	207,340	32,182	5,347	193	-	-
2037 - 2041	75,885	8,922	-	-	-	-
2042 - 2046	4,325	262	-	-	-	-
Total	\$ 752,475	233,042	26,440	3,832	1,974	381

Major Enterprise Funds						
Fiscal Year Ended August 31						
	Wastewater System		Water System		Electric System	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 5,939	2,594	4,702	1,013	27,455	22,034
2023	6,146	2,383	3,862	858	30,205	20,412
2024	6,353	2,154	3,993	736	30,535	18,909
2025	6,575	1,917	3,620	583	37,800	18,385
2026	6,827	1,671	1,381	446	35,740	17,730
2027 - 2031	25,976	5,034	7,768	1,460	204,345	67,548
2032 - 2036	9,163	2,266	5,334	268	189,165	28,291
2037 - 2041	6,415	1,237	-	-	64,405	7,378
2042 - 2046	4,325	262	-	-	-	-
Total	\$ 77,719	19,518	30,660	5,364	619,650	200,687

The City issues general obligation, special assessment, and revenue bonds to finance the acquisition and construction of major capital assets. Bonded indebtedness has also been entered into to advance refund several general obligation and revenue bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Special assessment bonds are repaid from amounts levied against affected property owners, but in the unlikely event collections are not sufficient to make debt payments, the responsibility rests with the City to meet that obligation. For revenue bonds the government pledges income derived from the acquired or constructed assets to pay the debt service.

Net position of \$2,527,881, \$3,325,912, \$1,062,061, and \$729,833 is currently available in the debt service funds to service the Tax Allocation Bonds, General Obligation Bonds, Tax Supported Bonds, and Special Assessment Bonds, respectively. Revenue Bonds are funded partially from reserve accounts set up for debt repayment and partially from proceeds of daily operations.

The City has entered into lease agreements for financing the acquisition of land, buildings, streetlights, entry corridor improvements, sidewalks, dump trucks, street sweepers, motor grader, emergency vehicles and equipment, golf equipment and computer equipment and software. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Land	\$ 1,780,066	\$ 199,546
Buildings	28,996,161	1,647,945
Improvements	5,070,465	-
Infrastructure	35,874,796	-
Machinery and Equipment	11,030,492	3,335,025
Construction In Progress	7,956,891	9,257
Less Accumulated Depreciation, (where applicable)	(28,582,500)	(3,033,081)
Total	<u>\$ 62,126,371</u>	<u>\$ 2,158,692</u>

Under the City's Home Rule Charter, there is no legal debt limit. The various bond indentures contain significant limitations and restrictions on annual debt service requirements, minimum amounts to be maintained in various bond reserve funds, and minimum revenue bond coverage.

The general obligation debt of all local governmental units which provide services within the City's boundaries and which debt must be borne by properties in the City (commonly called overlapping debt) as of August 31, 2021, is summarized below (unaudited):

	Debt Outstanding	Estimated Percentage Applicable	Direct And Overlapping Debt To The City
<u>Governmental Units</u>			
Direct:			
City	\$ 464,866,000	100.0 %	\$ 464,866,000
Overlapping:			
School District #1	508,090,000	99.5	505,550,000
Public Building Commission	24,910,000	85.4	21,273,000
Lancaster County Correctional Facility	28,070,000	85.4	23,972,000
Lancaster County Fairgrounds	6,870,000	85.4	5,867,000
	<u>567,940,000</u>		<u>556,662,000</u>
Total	<u>\$ 1,032,806,000</u>		<u>\$ 1,021,528,000</u>

The City has no direct liability for the School District, Public Building Commission, Lancaster County Fairgrounds or Lancaster County Correctional Facility debt summarized above. This results in a per capita direct City debt of \$1,597.03; a per capita direct and overlapping debt of \$3,509.42; a ratio of direct City debt to 2021 actual valuation of 1.94 percent; and a ratio of direct and overlapping debt to 2021 actual valuation of 4.26 percent.

In addition to the governmental units listed above, the Airport Authority of the City of Lincoln, Nebraska (the "Airport Authority"), a body politic and corporate separate and distinct from the City of Lincoln, provides services within the City's boundaries and has overlapping general obligation indebtedness. As of June 30, 2021, the Airport Authority had outstanding \$44,365,000 in aggregate principal amount of its general obligation airport bonds. The bonds are secured by a pledge of all revenues and income derived by the Airport Authority directly or indirectly from the ownership, use and operations of the Airport. The Airport Authority is authorized to levy a property tax, at a rate not to exceed three and five-tenths cents (\$.035) on each \$100 of taxable valuation, on all the taxable property in the City. The Airport Authority has not levied a property tax since 1985 for any purpose, including airport operating expenses or debt service on its bonds.

Debt Payment Record

The City of Lincoln has never defaulted on its obligation to pay principal or interest on its indebtedness.

Contingencies

The City is a defendant in a number of lawsuits in its normal course of operations and management is of the opinion that ultimate settlement of such lawsuits will not have a materially adverse effect on the financial statements.

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES LAST TEN FISCAL YEARS

Fiscal Year	Principal	Interest ²	Total Debt Service	Total General Governmental ¹ Expenditures	Ratio Of Debt Service To Total General Expenditures
2021	\$ 9,043,363	\$ 2,645,644	\$ 11,689,007	\$ 335,012,472	3.49%
2020	11,867,214	3,377,738	15,244,952	319,192,432	4.78%
2019	10,315,005	3,358,108	13,673,113	312,888,830	4.37%
2018	10,687,368	3,611,998	14,299,366	294,450,729	4.86%
2017	10,705,534	4,074,708	14,780,242	281,989,338	5.24%
2016	11,709,540	4,472,154	16,181,694	270,254,505	5.99%
2015	10,134,997	4,812,005	14,947,002	262,329,352	5.70%
2014	9,662,748	5,240,713	14,903,461	256,863,631	5.80%
2013	8,427,726	4,266,429	12,694,155	233,802,749	5.43%
2012	7,485,645	5,123,060	12,608,705	229,205,337	5.50%

¹ Includes: General, Special Revenue, and Debt Service Funds.

² Does not include fiscal and miscellaneous charges.

SCHEDULE OF GENERAL OBLIGATION DEBT IN RELATION TO POPULATION, ASSESSED VALUATION, AND REAL PROPERTY VALUATION LAST TEN FISCAL YEAR

Fiscal Year	General Obligation Bonded Debt	Sinking Funds	Net General Obligation Bonded Debt	Population ¹	Net G.O. Bonded Debt Per Capita	Assessed Valuation Real And Personal	Ratio of Net Debt To Assessed Valuation Real & Personal ²	Assessed Valuation Of Taxable Real Property ²	Ratio of Net Debt To Estimated Valuation Of Taxable Real Property
2021	\$ 89,349,000	\$ 7,440,000	\$ 81,909,000	291,082	\$ 281.39	\$ 23,999,731,796	0.34%	\$ 22,926,890,868	0.36%
2020	82,296,000	6,680,000	\$ 75,616,000	289,102	\$ 261.55	\$ 23,267,163,467	0.32%	22,155,576,336	0.34%
2019	93,749,000	8,230,000	85,519,000	287,401	297.56	21,670,357,076	0.39%	20,632,741,929	0.41%
2018	93,973,000	9,261,000	84,712,000	284,736	297.51	20,516,934,853	0.41%	19,579,616,741	0.43%
2017	105,391,000	8,221,000	97,170,000	280,364	346.59	18,870,825,564	0.51%	18,017,244,843	0.54%
2016	116,036,000	8,328,000	107,708,000	277,348	388.35	18,457,318,752	0.58%	17,618,385,582	0.61%
2015	120,451,000	9,143,000	111,308,000	272,996	407.73	17,380,126,373	0.64%	16,602,382,002	0.67%
2014	130,391,000	9,427,000	120,964,000	268,738	450.12	17,110,968,759	0.71%	16,366,307,281	0.74%
2013	139,274,000	15,640,000	123,634,000	265,404	465.83	16,676,196,896	0.74%	15,969,385,392	0.77%
2012	113,958,000	15,142,000	98,816,000	262,341	376.67	15,900,828,813	0.62%	15,221,954,470	0.65%

¹ Source: U.S. Bureau of the Census, population estimates.

² Assessed valuation is 100% of actual

**REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS**

		Gross	Direct	Net	Debt Service Requirements			
		Revenue	Operating	Available				
			Expenses	Revenue	Principal	Interest	Total	Coverage
<u>Wastewater System</u>								
2021	\$	36,556,660	17,269,392	19,287,268	5,736,464	2,901,665	8,638,129	2.23
2020		34,202,886	17,049,907	17,152,979	5,667,004	2,860,124	8,527,128	2.01
2019		33,903,796	15,684,880	18,218,916	4,858,054	2,164,027	7,022,081	2.59
2018		32,381,312	14,863,221	17,518,091	4,599,602	2,361,501	6,961,103	2.52
2017		30,516,105	14,726,200	15,789,905	4,761,635	2,619,980	7,381,615	2.14
2016		29,026,442	14,019,061	15,007,381	4,562,314	2,847,529	7,409,843	2.03
2015		28,026,866	13,541,561	14,485,305	3,747,284	3,114,518	6,861,802	2.11
2014		27,049,162	13,337,986	13,711,176	4,053,916	3,077,999	7,131,915	1.92
2013		24,988,275	12,522,159	12,466,116	3,487,906	3,089,698	6,577,604	1.90
2012		24,763,975	12,378,673	12,385,302	3,137,858	3,655,156	6,793,014	1.82
<u>Water System</u>								
2021	\$	50,654,404	21,046,449	29,607,955	4,866,353	1,284,289	6,150,642	4.81
2020		44,192,982	19,434,182	24,758,800	4,681,388	1,488,760	6,170,148	4.01
2019		41,761,560	18,186,821	23,574,739	4,636,755	1,763,603	6,400,358	3.68
2018		41,473,196	17,768,444	23,704,752	4,517,445	1,877,042	6,394,487	3.71
2017		38,494,901	17,893,434	20,601,467	4,408,451	2,021,708	6,430,159	3.20
2016		37,985,431	16,969,116	21,016,315	4,344,979	2,123,747	6,468,726	3.25
2015		34,481,875	16,955,058	17,526,817	4,290,300	2,116,262	6,406,562	2.74
2014		34,933,647	16,308,059	18,625,588	3,923,000	2,044,417	5,967,417	3.12
2013		34,241,815	16,113,390	18,128,425	1,850,000	2,345,562	4,195,562	4.32
2012		35,984,891	15,636,494	20,348,397	5,380,000	2,955,202	8,335,202	2.44
<u>Parking Facilities</u>								
2021	\$	8,672,167	4,167,311	4,504,856	2,515,000	1,240,388	3,755,388	1.20
2020		13,401,784	5,042,333	8,359,451	2,315,000	1,433,544	3,748,544	2.23
2019		13,738,594	5,315,077	8,423,517	1,380,000	1,025,065	2,405,065	3.50
2018		12,691,925	5,152,321	7,539,604	1,345,000	1,066,890	2,411,890	3.13
2017		12,674,910	4,905,848	7,769,062	1,320,000	1,095,315	2,415,315	3.22
2016		10,697,157	4,575,662	6,121,495	1,290,000	1,130,215	2,420,215	2.53
2015		10,419,352	4,577,437	5,841,915	1,260,000	1,148,265	2,408,265	2.43
2014		9,816,550	4,211,473	5,605,077	1,310,000	1,172,465	2,482,465	2.26
2013		8,444,055	3,919,678	4,524,377	1,270,000	1,091,614	2,361,614	1.92
2012		7,382,101	3,823,131	3,558,970	860,000	1,078,688	1,938,688	1.84
<u>Solid Waste Management</u>								
2021	\$	15,343,678	11,720,275	3,623,403	850,000	303,284	1,153,284	3.14
2020		14,237,210	10,871,529	3,365,681	830,000	327,084	1,157,084	2.91
2019		12,860,596	9,512,437	3,348,159	810,000	348,896	1,158,896	2.89
2018		12,863,464	9,083,674	3,779,790	810,000	366,796	1,176,796	3.21
2017		12,697,221	9,460,290	3,236,931	795,000	382,096	1,177,096	2.75
2016		12,371,412	7,896,480	4,474,932	775,000	396,521	1,171,521	3.82
2015		10,074,541	7,519,523	2,555,018	550,000	196,202	746,202	3.42
2014		9,132,756	7,319,215	1,813,541	550,000	198,128	748,128	2.42
2013		7,933,037	7,087,935	845,102	475,000	133,463	608,463	1.39
2012		7,745,565	6,376,120	1,369,445	220,000	124,025	344,025	3.98

CITY OF LINCOLN, NEBRASKA
GENERAL FUND
SUMMARY CASH FLOW STATEMENT - CASH BASIS
FOR LAST TEN FISCAL YEARS

	<i>Fiscal Year</i>									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Cash & Investment Balance - September 1 of Year Indicated \$	45,270,259	42,032,717	\$ 44,336,245	40,447,532	38,315,059	36,190,807	32,471,866	25,932,021	22,789,222	16,942,409
Receipts:										
Property Tax	61,923,848	55,648,747	50,054,765	46,009,808	42,669,103	40,564,330	37,333,435	37,428,736	34,599,257	33,574,992
City Sales & Use Tax	88,723,756	80,343,337	78,563,436	76,812,830	75,259,945	71,621,717	68,861,600	66,393,392	63,134,808	61,472,342
Other Income	<u>75,934,678</u>	<u>38,283,948</u>	<u>38,650,878</u>	<u>38,470,133</u>	<u>37,291,708</u>	<u>37,383,280</u>	<u>38,281,650</u>	<u>36,929,588</u>	<u>36,298,994</u>	<u>36,542,477</u>
Total Receipts	226,582,282	174,276,032	167,269,079	161,292,771	155,220,756	149,569,327	144,476,685	140,751,716	134,033,059	131,589,811
Less Disbursements	<u>189,676,396</u>	<u>171,038,490</u>	<u>169,572,607</u>	<u>157,404,058</u>	<u>153,088,283</u>	<u>147,445,075</u>	<u>140,757,744</u>	<u>134,211,871</u>	<u>130,890,260</u>	<u>125,742,998</u>
Cash & Investment Balance - August 31 of Year Indicated \$	<u>82,176,145</u>	<u>45,270,259</u>	<u>\$ 42,032,717</u>	<u>44,336,245</u>	<u>40,447,532</u>	<u>38,315,059</u>	<u>36,190,807</u>	<u>32,471,866</u>	<u>25,932,021</u>	<u>22,789,222</u>

CITY OF LINCOLN, NEBRASKA
GENERAL BONDED INDEBTEDNESS AND DEBT SERVICE FUND
SUMMARY CASH FLOW STATEMENT - CASH BASIS
FOR LAST TEN FISCAL YEARS

		Fiscal Year									
		2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Cash Balance - September 1 of Year Indicated	\$	2,980,788	3,289,948	3,892,886	3,663,200	3,361,571	3,572,272	3,561,702	3,883,237	3,929,968	2,234,981
Receipts:											
Property Tax		4,296,600	5,844,422	4,936,360	6,370,523	6,298,844	5,829,094	6,214,882	5,558,081	5,594,005	5,773,392
Interest Income		19,632	35,695	47,528	22,655	12,163	9,711	8,214	10,126	8,507	13,723
Bond Proceeds			5,186,389		5,016,382			6,092,475			8,369,497
Other Income		1,900	1,302,722	3,175	6,135	3,769	98,043	119,376	98,027	104,162	110,962
Total Receipts		4,318,131	12,369,228	4,987,063	11,415,695	6,314,776	5,936,848	12,434,947	5,666,234	5,706,674	14,267,574
Disbursements:											
Bonds Paid		2,925,000	6,150,000	4,490,000	4,775,000	4,590,000	4,730,000	4,355,000	4,240,000	4,225,000	2,390,000
Bonds Defeased											
Interest Paid		1,160,459	1,296,965	1,095,220	1,170,162	1,420,473	1,414,275	1,500,213	1,745,495	1,521,904	1,822,197
Transfer to Trustee			5,130,000		4,956,976			5,990,206			8,242,367
Other Disbursements		5,898	101,423	4,781	283,871	2,674	3,274	578,958	2,274	6,501	118,023
Total Disbursements		4,091,357	12,678,388	5,590,001	11,186,009	6,013,147	6,147,549	12,424,377	5,987,769	5,753,405	12,572,587
Cash Balance - August 31 of Year Indicated	\$	3,207,562	2,980,788	3,289,948	3,892,886	3,663,200	3,361,571	3,572,272	3,561,702	3,883,237	3,929,968

CITY OF LINCOLN, NEBRASKA
SPECIAL ASSESSMENT REVOLVING FUND
SUMMARY CASH FLOW STATEMENT - CASH BASIS
FOR LAST TEN FISCAL YEARS

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Cash & Investment Balance - September 1 of Year Indicated	\$ 531,408	2,310,676	\$ 2,581,022	\$ 2,768,599	2,195,823	2,133,866	2,619,720	2,509,487	2,348,773	759,180
Receipts:										
Special Assessment Collections	1,463,701	1,293,247	1,438,699	1,429,730	1,497,442	1,420,191	1,394,764	1,521,959	941,365	1,049,570
Interest on Special Assessments	135,662	127,529	166,149	165,098	180,258	161,882	193,995	53,761	78,642	98,844
City's Share of Costs	1,189,072	1,849,950	2,074,213	1,039,944	1,422,840	1,509,919	901,883	783,436	1,205,443	621,898
Developers' Share of Costs										
Bond Proceeds										3,036,003
Interest on Investments	10,365	38,939	50,283	34,326	21,763	18,537	19,392	40,673	41,212	47,349
Miscellaneous					301,716	188,457	82,000	733		
Total Receipts	<u>2,798,800</u>	<u>3,309,665</u>	<u>3,729,344</u>	<u>2,669,098</u>	<u>3,424,019</u>	<u>3,298,986</u>	<u>2,592,034</u>	<u>2,400,562</u>	<u>2,266,662</u>	<u>4,853,664</u>
Disbursements:										
Construction Costs	1,131,419	1,653,095	1,610,160	1,500,618	1,294,057	1,829,379	1,880,449	1,213,770	901,811	2,359,096
Bonds Paid	195,000	190,000	190,000	180,000	180,000	175,000	175,000	175,000	170,000	190,000
Equity Transfer										
Interest Paid on Bonds & Notes	86,163	91,725	95,773	99,448	102,923	106,123	109,122	112,023	114,722	94,911
Other Refunds & Expenses	<u>1,189,872</u>	<u>3,154,113</u>	<u>2,103,758</u>	<u>1,076,609</u>	<u>1,274,263</u>	<u>1,126,527</u>	<u>913,317</u>	<u>789,536</u>	<u>919,415</u>	<u>620,064</u>
Total Disbursements	<u>2,602,454</u>	<u>5,088,933</u>	<u>3,999,691</u>	<u>2,856,675</u>	<u>2,851,243</u>	<u>3,237,029</u>	<u>3,077,888</u>	<u>2,290,329</u>	<u>2,105,948</u>	<u>3,264,071</u>
Cash & Investment Balance - August 31 of Year Indicated	<u>\$ 727,754</u>	<u>531,408</u>	<u>2,310,676</u>	<u>2,581,022</u>	<u>2,768,599</u>	<u>2,195,823</u>	<u>2,133,866</u>	<u>2,619,720</u>	<u>2,509,487</u>	<u>2,348,773</u>

APPENDIX B

FINANCIAL STATEMENTS OF THE SYSTEM

Lincoln Wastewater System

2021



**Financial Statements & Schedules
Fiscal Year Ended August 31, 2021**

ANNUAL FINANCIAL REPORT

DEPARTMENT OF TRANSPORTATION AND UTILITIES

CITY OFFICIALS

Leirion Gaylor Baird..... Mayor

COUNCIL MEMBERS

James Michael BowersChair

Tammy Ward.....Vice-Chair

Tom Beckius

Richard Meginnis

Jane Raybould

Bennie Shobe

Sandra Washington

WASTEWATER SYSTEM

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

Donna K. GardenAssistant Director of Transportation and Utilities

Lincoln Wastewater System

August 31, 2021 and 2020

Contents

Independent Auditor's Report	1
Management's Discussion and Analysis.....	4
Financial Statements	
Statements of Net Position	10
Statements of Revenues, Expenses and Changes in Net Position.....	11
Statements of Cash Flows	12
Notes to Financial Statements.....	13
Supplementary Information	
Summary of Long-Term Debt.....	30
Debt Coverage Ratio.....	31
Utility Plant in Service	32
Other Statistical Information	
General Statistics (unaudited)	33
Top Ten Customers (unaudited).....	34
Summary of Insurance Coverage (unaudited)	35

Independent Auditor's Report

RSM US LLP

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Lincoln Wastewater System, an Enterprise Fund of the City of Lincoln, Nebraska (the System), as of and for the years ended August 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the System's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System, as of August 31, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the activity of Lincoln Wastewater System, an Enterprise Fund of the City of Lincoln, Nebraska and do not purport to, and do not, present fairly the financial position of the City of Lincoln, Nebraska, as of August 31, 2021 and 2020, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

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

Other Information

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

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

RSM VS LLP

Omaha, Nebraska
February 22, 2022

THIS PAGE INTENDED TO BE BLANK

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, 2021 and 2020. Please read this information in conjunction with the accompanying basic financial statements and notes to the financial statements.

Using This Annual Report

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

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

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

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

The Statement of Cash Flows

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

The System's Net Position

The System's net position is the difference between its assets plus deferred outflows and inflows of resources and liabilities plus deferred inflows of resources reported in the Statements of Net Position. The System's net position increased by \$13,444,679 in 2021 over 2020 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, 2021, 2020, and 2019.

Table 1

Condensed Net Position Information

	August 31		Change	
	2021	2020	Dollars	Percent
Current assets	\$ 17,540,401	\$ 22,659,045	(\$5,118,644)	(22.59%)
Capital assets	327,132,102	316,953,424	10,178,678	3.21%
Noncurrent assets	12,596,151	12,655,233	(59,082)	(0.47%)
Deferred outflows of resources	673,290	650,660	22,630	3.48%
Total assets and deferred outflows of resources	357,941,944	352,918,362	5,023,582	1.42%
Current liabilities	9,668,450	11,958,745	(2,290,295)	(19.15%)
Long-term liabilities	78,225,557	84,342,291	(6,116,734)	(7.25%)
Deferred Inflows	31,926	45,994	(14,068)	(30.59%)
Total liabilities and deferred inflows of resources	87,925,933	96,347,030	(8,421,097)	(8.74%)
Net position				
Net investment in capital assets	243,530,604	224,737,481	18,793,123	8.36%
Restricted for debt service	8,403,886	9,298,686	(894,800)	(9.62%)
Restricted for capital acquisition	2,964,924	2,039,775	925,149	45.36%
Unrestricted	15,116,597	20,495,390	(5,378,793)	(26.24%)
Total net position	270,016,011	256,571,332	13,444,679	5.24%
Total liabilities and net position	\$357,941,944	\$352,918,362	\$5,023,582	1.42%

Financial Highlights – Fiscal Year 2021

- The decrease in Current Assets is mainly due to the decrease in Equity and Pooled Cash investments of approximately \$6M.
- Capital Assets increase is mainly due to the completion of the Replacement of Raw Wastewater Pumps 1-4 Project and the Cardwell/South Salt Creek Project (\$9,057,249).
- The decrease in Long Term Liabilities is due to the payment of current year debt and no additional borrowings.

Table 2**Condensed Net Position Information**

	August 31		Change	
	2020	2019	Dollars	Percent
Current assets	\$ 22,659,045	\$ 24,729,144	(\$2,070,099)	(8.37%)
Capital assets	316,953,424	296,497,537	20,455,887	6.90%
Noncurrent assets	12,655,233	29,386,092	(16,730,859)	(56.93%)
Deferred outflows of resources	650,660	688,319	(37,659)	(5.47%)
Total assets and deferred outflows or resources	352,918,362	351,301,092	1,617,270	0.46%
Current liabilities	11,958,745	12,247,241	(288,496)	(2.36%)
Long-term liabilities	84,342,291	90,437,020	(6,094,729)	(6.74%)
Deferred Inflows	45,994	56,368	(10,374)	(18.40%)
Total liabilities and deferred inflows of resources	96,347,030	102,740,629	(6,393,599)	(6.22%)
Net position				
Net investment in capital assets	224,737,481	211,745,830	12,991,651	6.14%
Restricted for debt service	8,127,215	8,132,457	(5,242)	(0.06%)
Restricted for capital acquisition	2,039,775	1,313,435	726,340	55.30%
Unrestricted	21,666,861	27,368,741	(5,701,880)	(20.83%)
Total net position	256,571,332	248,560,463	8,010,869	3.22%
Total liabilities and net position	\$352,918,362	\$351,301,092	\$1,617,270	0.46%

Financial Highlights – Fiscal Year 2020

- The decrease in noncurrent assets is due to receipt of bond funds at the end of FY 2019. The majority of those funds were spent during this current fiscal year.
- Capital Assets increased in part due to the completion of West A Improvements and the Phase II Relief Sewer Trunk Replacement on S. 27th/56th (\$5,625,930).

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

	August 31		Change	
	2021	2020	Dollars	Percent
Operating revenues	\$35,635,355	\$32,587,103	\$3,048,252	9.35%
Nonoperating revenues				
Investment income (loss)	(39,582)	857,076	(896,658)	(104.62%)
Grant, Insurance & FEMA Proceeds	39,633	-	39,633	100.00%
Total nonoperating revenues	51	857,076	(857,025)	(4.62%)
Total Revenues	35,635,406	33,444,179	2,191,227	6.55%
Operating expenses				
Plant, pumping and treatment	15,401,276	13,838,174	1,563,102	11.30%
Operation and maintenance of wastewater lines	6,862,760	8,348,423	(1,485,663)	(17.80%)
Sanitary engineering services	1,948,139	1,801,772	146,367	8.12%
Administrative and accounting	2,766,208	2,390,133	376,075	15.73%
Total operating expenses	26,978,383	26,378,502	599,881	2.27%
Nonoperating expenses				
Interest and amortization expense	2,460,141	2,607,841	(147,700)	(5.66%)
Net costs recoverable	65,556	65,556	-	0.00%
Total nonoperating expenses	2,525,697	2,673,397	(147,700)	(5.52%)
Total Expenses	29,504,080	29,051,899	452,181	1.56%
Income before contributions and transfers	6,131,326	4,392,280	1,739,046	39.59%
Net Transfers Out	(8,572)	(8,493)	(79)	0.93%
Net Transfers In	1,064,396	-	1,064,396	100.00%
Capital contributions	6,257,529	3,627,082	2,630,447	72.52%
Change in net position	\$13,444,679	\$8,010,869	\$5,433,810	67.83%

Financial Highlights – Fiscal Year 2021

- Operating Revenues increased due to November 1, 2020, rate increase and newly established Biogas revenue source.
- Increase in Transfers In from LTU Watershed division for their portion of Project 702852 – Cardwell/South Salt Creek Project
- Increase in Capital Contributions is due to an increase in private construction agreement projects completed in Fiscal Year 2021.

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

	August 31		Change	
	2020	2019	Dollars	Percent
Operating revenues	\$32,587,103	\$32,202,451	\$384,652	1.19%
Nonoperating revenues				
Investment income	857,076	855,433	1,643	0.19%
TIF funding	-	1,474,477	(1,474,477)	(100.00%)
Total nonoperating revenues	857,076	2,329,910	(1,472,834)	(63.21%)
Total Revenues	33,444,179	34,532,361	(1,088,182)	(3.15%)
Operating expenses				
Plant, pumping and treatment	13,838,174	13,302,372	535,802	4.03%
Operation and maintenance of wastewater lines	8,348,423	7,119,645	1,228,778	17.26%
Sanitary engineering services	1,801,772	1,847,332	(45,560)	(2.47%)
Administrative and accounting	2,390,133	2,451,287	(61,154)	(2.49%)
Total operating expenses	26,378,502	24,720,636	1,657,866	6.71%
Nonoperating expenses				
Interest and amortization expense	2,607,841	2,075,162	532,679	25.67%
Net costs recoverable	65,556	53,345	12,211	22.89%
Total nonoperating expenses	2,673,397	2,128,507	544,890	(25.60%)
Total Expenses	29,051,899	26,849,143	2,202,756	8.20%
Income before contributions and transfers	4,392,280	7,683,218	(3,290,938)	(42.83%)
Net Transfers Out	(8,493)	-	(8,493)	(100.00%)
Capital contributions	3,627,082	3,388,772	238,310	7.03%
Change in net position	\$8,010,869	\$11,071,990	(\$3,061,121)	(27.65%)

Financial Highlights – Fiscal Year 2020

- Nonoperating expenses increased due to new borrowing in 2019.

Debt Activity

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

Capital Asset Activity

The System's investment in capital assets as of August 31, 2021 amounts to \$327,132,102 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment. Major capital asset events during 2021 include the Replacement of Raw Wastewater Pumps 1-4 Project and the Cardwell/South Salt Creek Project. Additional information regarding capital assets can be found in the Notes to Financial Statements, Note 3, of this report.

System Credit and Bond Ratings

The outstanding revenue bonds of the System are currently rated by Standard & Poor's and Moody's. This rating takes into account the amount of unrestricted net position maintained by the System, to which the revenue bonds' obligation of the System is pledged. Currently, the credit rating received from Standard & Poor's Rating Services is AA+. The credit rating issued by Moody's Rating Services is Aa1. Additional information regarding debt can be found in the Notes to Financial Statements, Note 4, of this report.

Commitments and Contingencies

The System has commitments under major construction contracts in progress of approximately \$20,044,410 at August 31, 2021 to be paid with revenue and bond proceeds.

Forward-Looking Information

The approved Capital Improvement Program for Fiscal Year 2021/22 – 2026/2027 identifies the need for \$106,945,000 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 2021, the Lincoln City Council approved a 4% revenue increase effective November 2021. 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 2021 and 2020. 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, Lincoln, NE 68508.

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

Statements of Net Position

August 31, 2021 and 2020

Assets and Deferred Outflows of Resources	2021	2020
Current assets:		
Equity in pooled cash and investments	\$ 10,308,087	\$ 16,339,167
Receivables:		
Accounts receivable	3,040,773	2,510,740
Unbilled revenues	3,692,911	3,301,060
Due from other funds	382,837	411,318
Total receivables	7,116,521	6,223,118
Inventories	115,793	96,760
Total current assets	17,540,401	22,659,045
Noncurrent assets:		
Equity in pooled cash and investments	15,560	-
Restricted assets:		
Equity in pooled cash and investments	1,795,763	3,629,055
Investments	7,147,130	6,248,074
Impact fees	2,964,924	2,039,775
Total restricted assets	11,907,817	11,916,904
Utility plant:		
Non-depreciable	33,947,909	34,829,713
Depreciable	474,792,772	454,058,415
Less accumulated depreciation	(181,608,579)	(171,934,704)
Net utility plant	327,132,102	316,953,424
Costs recoverable from future billings	672,774	738,329
Total noncurrent assets	339,728,253	329,608,657
Total assets	357,268,654	352,267,702
Deferred outflows of resources:		
Deferred loss on refunding	526,061	594,916
OPEB related items	147,229	55,744
Total deferred Outflows	673,290	650,660
Total assets and deferred outflows of resources	\$ 357,941,944	\$ 352,918,362
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Accounts payable	\$ 375,367	\$ 299,287
Accrued liabilities	722,695	716,562
Deposits liability	22,649	20,149
Accrued compensated absences	408,516	448,172
Construction contracts	1,683,774	4,159,668
Current maturities of long-term debt	5,916,442	5,736,464
Accrued interest payable from restricted assets	539,007	578,443
Total current liabilities	9,668,450	11,958,745
Long-term liabilities:		
Accrued liabilities	591,140	526,789
Accrued compensated absences	1,107,074	900,774
Construction contracts	-	-
Long-term debt, excluding current maturities	76,527,343	82,914,728
Total long-term liabilities	78,225,557	84,342,291
Total liabilities	87,894,007	96,301,036
Deferred Inflows of Resources		
OPEB related items	31,926	45,994
Total Deferred Inflow of Resources	31,926	45,994
Net position:		
Net investment in capital assets	243,530,604	224,737,481
Restricted for debt service	8,403,886	9,298,686
Restricted for capital acquisition	2,964,924	2,039,775
Unrestricted	15,116,597	20,495,390
Total net position	270,016,011	256,571,332
Total liabilities, deferred inflows of resources and net position	\$ 357,941,944	\$ 352,918,362

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses and Changes in Net Position

Years ended August 31, 2021 and 2020

	2021	2020
Operating revenues	\$ 35,635,355	\$ 32,587,103
Operating expenses:		
Plant, pumping and treatment	15,401,276	13,838,174
Operation and maintenance of wastewater lines	6,862,760	8,348,423
Sanitary engineering services	1,948,139	1,801,772
Administrative and accounting	2,766,208	2,390,133
Total operating expenses	26,978,383	26,378,502
Operating income	8,656,972	6,208,601
Nonoperating revenues (expenses):		
Federal grant revenues	14,029	-
Investment income (loss)	(39,582)	857,076
Interest and amortization expense	(2,460,141)	(2,607,841)
FEMA proceeds	25,604	-
Net costs recoverable	(65,556)	(65,556)
Net nonoperating expenses	(2,525,646)	(1,816,321)
Increase in net position before capital contributions	6,131,326	4,392,280
Capital contributions from:		
Developers	5,296,642	2,868,375
Tap fees	35,738	32,367
Impact Fees	925,149	726,340
Total capital contributions	6,257,529	3,627,082
Transfers Out	(8,572)	(8,493)
Transfers In	1,064,396	-
Increase in net position	13,444,679	8,010,869
Total net position - beginning,	256,571,332	248,560,463
Total net position - ending	\$ 270,016,011	\$ 256,571,332

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended August 31, 2021 and 2020

	2021	2020
Operating activities:		
Receipts from customers and users	\$ 33,790,822	\$ 31,862,560
Payments to suppliers	(8,570,370)	(8,630,193)
Payments to employees	(8,452,878)	(8,521,107)
Net cash provided by operating activities	16,767,574	14,711,260
Noncapital financing activities:		
Federal grant revenues	14,029	-
Transfers to other funds	(8,572)	(8,493)
Transfers from other funds	1,064,396	-
Decrease in due from other funds	40,724	2,138
Net cash provided by (used in) noncapital financing activities	1,110,577	(6,355)
Capital and related financing activities:		
Acquisition and construction of capital assets	(16,106,035)	(26,482,473)
Principal paid on revenue bonds	(4,530,000)	(4,485,000)
Interest paid on long term debt	(2,901,665)	(2,988,200)
Repayments on NDEQ loan	(1,206,464)	(1,182,004)
FEMA proceeds	25,604	-
Net cash (used in) capital and related financing activities	(24,718,560)	(35,137,677)
Investing activities:		
Purchases of investments	(10,289,604)	(15,319,544)
Proceeds from investment maturities	15,234,006	37,597,178
Interest on investments	133,999	709,332
Net cash provided by investing activities	5,078,401	22,986,966
Net increase (decrease) in cash and cash equivalents	(1,762,008)	2,554,194
Cash and cash equivalents at beginning of year	4,510,615	1,956,421
Cash and cash equivalents at end of year	\$ 2,748,607	\$ 4,510,615
Composition of equity in pooled cash and investments		
Cash and cash equivalents	\$ 2,748,607	\$ 4,510,615
Investments	9,370,803	15,457,607
Total equity in pooled cash and investments	\$ 12,119,410	\$ 19,968,222
Reconciliation of net operating income to net cash provided by operating activities:		
Operating income	\$ 8,656,972	\$ 6,208,601
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	9,708,991	9,328,595
Changes in operating assets and liabilities:		
Accounts receivable	(1,847,033)	(726,043)
Inventories	(19,033)	(58,865)
Accounts payable	76,080	(235,536)
Accrued liabilities and deposit liability	102,371	79,141
Deferred Outflows	(91,485)	(31,197)
Deferred Inflows	14,068	10,374
Accrued compensated absences	166,643	136,190
Total adjustments	8,110,602	8,502,659
Net cash provided by operating activities	\$ 16,767,574	\$ 14,711,260

Supplemental disclosure of noncash transactions:

Contributed capital improvements of \$5,296,642 and \$2,868,375 were added to utility plant in 2021 and 2020 respectively.

Accounts payable incurred for utility plant purchases were \$1,683,774 and \$4,159,668 in 2021 and 2020, respectively.

See accompanying notes to financial statements.

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2021 and 2020

(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, 2021 and 2020, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Operating Revenues and Expenses

As an enterprise fund, the System distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the System's principal ongoing operations. The principal operating revenues of the System are charges to customers for sales and services. Operating expenses include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2021 and 2020

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

Accounts Receivable and Unbilled Revenues

Wastewater revenues are recorded based on the related period of customer usage. Billings for wastewater revenues are rendered on a cycle basis bi-monthly. Unbilled revenues, representing estimated consumer usage for the period between the last billing date and the end of the period, are accrued in the period of consumption. Management does not believe an allowance for doubtful accounts is necessary at August 31, 2021 or 2020. 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 statement of net position because their use is limited by applicable bond covenants. The System impact fees can pay for wastewater treatment and wastewater lines 10-inches and larger.

Utility Plant (Capital Assets)

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

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

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

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2021 and 2020

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

Deposits and Investments

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

For purposes of the Statements of Cash Flows, the System considers cash on hand and in the bank, as well as cash and equity in pooled cash and investments held by the City Treasurer, which are readily convertible to known amounts of cash and have original maturities of three months or less, to be cash and cash equivalents. Cash and equity in the City's pooled cash and investments with original maturities of more than three (3) months are presented as investments.

The System participates in a cash management pool, managed by the City. The pool consists of bank deposits and investments. The System's interest in this pool is shown as equity in pooled cash and investments in the statements of net position and is recorded at their interest in the City's pool, which includes both cash and investments reported at their estimated fair value.

The amounts held in the City's pool are considered liquid as they are available to be withdrawn on demand, with no redemption restrictions.

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

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

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2021 and 2020

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

Capital Contributions

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

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

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

Unamortized Premium on Revenue Bonds

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

Inventories

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

Deferred Outflow of Resources

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

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2021 and 2020

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

Deferred Inflow of Resources

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 used each cycle. The following rates were in effect as of August 31, 2021 and 2020, respectively:

	<u>August 31, 2021</u>	<u>August 31, 2020</u>
<u>Water Usage</u>	\$2.132	\$2.050
<u>Service Charge</u>		
5/8 inch	\$ 3.81	\$ 3.66
3/4 inch	7.38	7.10
1 inch	13.14	12.63
1 ½ inch	26.05	25.05
2 inch	41.72	40.12
3 inch	78.37	75.36
4 inch	130.70	125.67
6 inch	261.18	251.14
8 inch	417.94	401.86
10 inch	600.98	577.86

In August 2020, the Lincoln City Council approved a 4% revenue increase effective in November 2020.

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:

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2021 and 2020

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

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

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

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

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

Compensated Absences

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

Compensated absences of the System at August 31, 2021 and 2020 are summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
August 31, 2021	\$1,348,946	614,816	448,172	1,515,590	408,516
August 31, 2020	\$1,212,756	541,429	405,239	1,348,946	448,172

Use of Estimates

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

Reclassifications

Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 financial statement presentation. These reclassifications had no effect on ending net position or changes in net position.

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2021 and 2020

(2) Deposits, Investments, and Investment Return

Deposits

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

Investments

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment securities that are in the possession of an outside party. The System's investments in U.S. Government Sponsored agency obligations are held in a book entry system in an account designated as a customer account at the Federal Reserve Bank and the custodian's internal records identify the City as owner.

Fair value measurements: The System categorizes its assets and liabilities measured at fair value within the hierarchy established by generally accepted accounting principles. Assets and liabilities valued at fair value are categorized based on inputs to valuation techniques as follows:

Level 1 input: Quoted prices for identical assets or liabilities in an active market that an entity has the ability to access.

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

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

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

Inputs: If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2021 and 2020

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

For the System, the following fair value techniques were utilized in measuring the fair value of its investments:

U.S. Government agency securities: U.S. Government securities are reported at fair value based on bullet (noncall) spread scale for each issuer for maturities going out to 40 years. These spreads represent credit risk and are obtained from the new issue market, secondary trading, and dealer quotes.

An Option Adjusted Spread (OAS) model is incorporated to adjust spreads of issues that have early redemption features. Final spreads are added to a U.S. Treasury curve. A cash discounting yield/price routine calculates prices from final yields to accommodate odd coupon payment dates typical of medium-term notes.

At August 31, 2021 and 2020, the System had the following investments and maturities:

Type	August 31, 2021				Fair Value Measurement
	Fair Value	Less than 1	Maturities in Years 1 - 5	6 - 10	
U.S. Government Sponsored Agencies	\$5,584,518	\$3,199,911	\$1,098,130	\$1,286,477	Level 2
U.S. Treasury Obligations	1,562,612	-	-	1,562,612	Level 2
	<u>\$7,147,130</u>	<u>\$3,199,911</u>	<u>\$1,098,130</u>	<u>\$2,849,089</u>	

Type	August 31, 2020				Fair Value Measurement
	Fair Value	Less than 1	Maturities in Years 1 - 5	6 - 10	
U.S. Government Sponsored Agencies	\$4,601,890	\$ -	\$3,276,383	\$1,325,507	Level 2
U.S. Treasury Obligations	1,646,184	-	-	1,646,184	Level 2
	<u>\$6,248,074</u>	<u>\$ -</u>	<u>\$3,276,383</u>	<u>\$2,971,691</u>	

Interest Rate Risk:

Interest rate risk is the risk that a change in interest rates will adversely affect the value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits current operating funds to be invested with maturities of no longer than twenty-four months. Fixed income investments in construction funds, operating funds, and other non-operating funds shall have a term appropriate to the need for funds and in accordance with debt covenants.

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2021 and 2020

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

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, 2021, and 2020, the System investments in United States Government sponsored agencies not directly guaranteed by the United States government were rated AA+ by Standard & Poor's (S & P) and Aa1 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 or security type. Per the policy, allocation limits do not apply to the investment of debt proceeds. These investments shall be governed by the debt covenant included in the debt instrument. The investments mentioned below were made with funds from the bond debt reserve funds established. Concentrations greater than 5% at August 31 are shown below:

	<u>2021</u>	<u>2020</u>
U.S. Government Sponsored Agency Obligations	28.8%	17.4%

At August 31, 2021 and 2020, 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, 2021 and 2020, are:

	<u>2021</u>	<u>2020</u>
Equity in pooled cash and investments	\$12,119,410	\$19,968,222
Percentage of City's Pool	4.8%	5.1%

Please refer to the City's Annual Comprehensive Financial Report for additional information on the City's pooled cash and investments, including required disclosures of risk and fair value measurements. A copy of the City's separately issued report can be obtained at <https://www.lincoln.ne.gov/City/Departments/Finance/Accounting>.

Investment Income (Loss)

Investment income for the years ended August 31, 2021 and 2020, consisted of:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$133,998	\$651,809
Net change in fair value of investments	(173,580)	205,267
	<u>(\$39,582)</u>	<u>\$857,076</u>

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

Notes to Financial Statements

August 31, 2021 and 2020

(3) Utility Plant

Utility plant is summarized by major classification at August 31, 2021 as follows:

Asset Class	Capital Assets			Accumulated Depreciation				Net Capital Assets	
	August 31, 2020	Increases	Decreases/ Transfers	August 31, 2021	August 31, 2020	Increases	Decreases	August 31, 2021	August 31, 2021
Structures and improvements	\$ 81,564,453	\$ 3,079,500	\$ -	\$ 84,643,953	\$ (39,789,067)	\$ (1,959,329)	\$ -	\$ (41,748,396)	\$ 42,895,557
Line equipment	301,333	61,068	-	362,401	(209,782)	(12,790)	-	(222,572)	139,829
Treatment equipment	70,258,639	5,156,198	-	75,414,837	(42,482,292)	(2,838,236)	-	(45,320,528)	30,094,309
Collection system	272,909,074	11,449,441	-	284,358,515	(76,094,524)	(3,768,571)	-	(79,863,095)	204,495,420
Lift stations/force mains	9,720,666	-	-	9,720,666	(1,767,668)	(215,518)	-	(1,983,186)	7,737,480
Environmental equipment	391,061	-	-	391,061	(369,662)	(3,652)	-	(373,314)	17,747
Office furniture and equipment	543,300	-	-	543,300	(513,142)	(8,828)	-	(521,970)	21,330
Shop equipment	290,434	-	-	290,434	(263,757)	(8,517)	-	(272,274)	18,160
Communications system	2,612,945	26,839	-	2,639,784	(1,008,237)	(210,548)	-	(1,218,785)	1,420,999
Laboratory equipment	898,602	-	-	898,602	(737,009)	(40,203)	-	(777,212)	121,390
Injection system	658,907	-	-	658,907	(497,854)	(10,083)	-	(507,937)	150,970
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	(620,409)	(51,336)	-	(671,745)	453,655
Meters	7,371,173	564,746	-	7,935,919	(4,146,502)	(300,630)	-	(4,447,132)	3,488,787
Vehicles	4,812,633	471,630	(75,065)	5,209,198	(2,835,004)	(280,750)	35,116	(3,080,638)	2,128,560
Total depreciable assets	454,058,415	20,809,422	(75,065)	474,792,772	(171,934,704)	(9,708,991)	35,116	(181,608,579)	293,184,193
Land and land rights	8,165,347	76,823	-	8,242,170	-	-	-	-	8,242,170
Construction in progress	26,664,366	14,063,071	(15,021,698)	25,705,739	-	-	-	-	25,705,739
Total nondepreciable assets	34,829,713	14,139,894	(15,021,698)	33,947,909	-	-	-	-	33,947,909
Total capital assets	\$ 488,888,128	\$ 34,949,316	\$ (15,096,763)	\$ 508,740,681	\$ (171,934,704)	\$ (9,708,991)	\$ 35,116	\$ (181,608,579)	\$ 327,132,102

The composite depreciation rate was approximately 2.04% in 2021.

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

Notes to Financial Statements

August 31, 2020 and 2019

(3) Utility Plant

Utility plant is summarized by major classification at August 31, 2020 as follows:

Asset Class	Capital Assets			Accumulated Depreciation				Net Capital Assets	
	August 31, 2019	Increases	Decreases/ Transfers	August 31, 2020	August 31, 2019	Increases	Decreases	August 31, 2020	August 31, 2020
Structures and improvements	\$ 81,564,453	\$ -	\$ -	\$ 81,564,453	\$ (37,981,670)	\$ (1,807,397)	\$ -	\$ (39,789,067)	\$ 41,775,386
Line equipment	251,932	49,401	-	301,333	(199,986)	(9,796)	-	(209,782)	91,551
Treatment equipment	70,098,547	160,092	-	70,258,639	(39,812,388)	(2,669,904)	-	(42,482,292)	27,776,347
Collection system	261,236,718	11,672,356	-	272,909,074	(72,409,090)	(3,685,434)	-	(76,094,524)	196,814,550
Lift stations/force mains	9,720,666	-	-	9,720,666	(1,549,518)	(218,150)	-	(1,767,668)	7,952,998
Environmental equipment	391,061	-	-	391,061	(365,687)	(3,975)	-	(369,662)	21,399
Office furniture and equipment	543,300	-	-	543,300	(496,240)	(16,902)	-	(513,142)	30,158
Shop equipment	277,949	12,485	-	290,434	(256,199)	(7,558)	-	(263,757)	26,677
Communications system	2,139,134	473,811	-	2,612,945	(796,321)	(211,915)	-	(1,008,236)	1,604,709
Laboratory equipment	875,244	23,358	-	898,602	(689,750)	(47,259)	-	(737,009)	161,593
Injection system	658,907	-	-	658,907	(487,771)	(10,083)	-	(497,854)	161,053
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	(569,073)	(51,336)	-	(620,409)	504,991
Meters	6,853,436	517,737	-	7,371,173	(3,841,267)	(305,235)	-	(4,146,502)	3,224,671
Vehicles	3,977,889	834,744	-	4,812,633	(2,551,354)	(283,650)	-	(2,835,004)	1,977,628
Total depreciable assets	440,314,431	13,743,984	-	454,058,415	(162,606,109)	(9,328,595)	-	(171,934,704)	282,123,711
Land and land rights	7,891,881	273,466	-	8,165,347	-	-	-	-	8,165,347
Construction in progress	10,897,334	25,953,626	(10,186,594)	26,664,366	-	-	-	-	26,664,366
Total nondepreciable assets	18,789,215	26,227,092	(10,186,594)	34,829,713	-	-	-	-	34,829,713
Total capital assets	\$ 459,103,646	\$ 39,971,076	\$ (10,186,594)	\$ 488,888,128	\$ (162,606,109)	\$ (9,328,595)	\$ -	\$ (171,934,704)	\$ 316,953,424

The composite depreciation rate was approximately 2.05% in 2020.

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2021 and 2020

(4) Long-term Liabilities

Long-term debt of the System at August 31, 2021 and 2020 is summarized below:

2021

Type of Debt	August 31, 2020	Additions	Reductions	August 31, 2021	Due Within One Year
2.0% Nebraska Department of Environment and Energy (NDEE)* 2009 project loan payable (C317247). Principal and interest payments due semi-annually on June 15 and December 15, with final payment in 2031. (1)	\$ 1,981,724	\$ -	\$ 177,355	\$ 1,804,369	\$ 179,664
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)	3,116,130	-	243,587	2,872,543	248,483
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)	12,230,364	-	785,522	11,444,842	803,295
1.0% - 5.0% Wastewater Revenue Refunding Bonds, Series 2012. Interest due semi-annually on June 15 and December 15. Principal payments due annually on June 15 through 2028. Redeemable at par on or after June 15, 2022.	21,000,000	-	2,360,000	18,640,000	2,445,000
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.	8,605,000	-	775,000	7,830,000	790,000
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.	11,345,000	-	760,000	10,585,000	785,000
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.	25,105,000	-	635,000	24,470,000	665,000
Unamortized premium on bonds	5,267,974	-	470,943	4,797,031	-
	<u>\$88,651,192</u>	<u>\$ -</u>	<u>\$6,207,437</u>	<u>\$82,443,785</u>	<u>\$5,916,442</u>

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

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

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2021 and 2020

(4) Long-term Liabilities (continued)

2020

Type of Debt	August 31, 2019	Additions	Reductions	August 31, 2020	Due Within One Year
2.0% Nebraska Department of Environment and Energy (NDEE)* 2009 project loan payable (C317247). Principal and interest payments due semi-annually on June 15 and December 15, with final payment in 2031. (1)	\$ 2,156,800	\$ -	\$ 175,076	\$ 1,981,724	\$ 177,355
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)	3,354,917	-	238,787	3,116,130	243,587
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)	12,998,505	-	768,141	12,230,364	785,522
1.0% - 5.0% Wastewater Revenue Refunding Bonds, Series 2012. Interest due semi-annually on June 15 and December 15. Principal payments due annually on June 15 through 2028. Redeemable at par on or after June 15, 2022.	23,305,000	-	2,305,000	21,000,000	2,360,000
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.	9,365,000	-	760,000	8,605,000	775,000
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.	12,065,000	-	720,000	11,345,000	760,000
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.	25,805,000	-	700,000	25,105,000	635,000
Unamortized premium on bonds	5,738,916	-	470,942	5,267,974	-
	<u>\$94,789,138</u>	<u>\$ -</u>	<u>\$6,137,946</u>	<u>\$88,651,192</u>	<u>\$5,736,464</u>

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

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

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

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2021 and 2020

(4) Long-term Liabilities (continued)

Maturities and sinking fund requirements on long-term debt at August 31, 2021, are shown below:

Due years ending August 31	Bonds		Loans		Total
	Principal	Interest	Principal	Interest	
2022	\$ 4,685,000	\$ 2,259,826	\$ 1,231,442	\$ 332,062	\$ 8,508,330
2023	4,865,000	2,073,725	1,256,950	306,552	8,502,227
2024	5,045,000	1,871,976	1,283,002	280,501	8,480,479
2025	5,265,000	1,662,575	1,309,608	253,896	8,491,079
2026	5,490,000	1,443,776	1,336,778	226,725	8,497,279
2027 – 2031	18,965,000	4,328,778	7,010,877	705,392	31,010,047
2032 – 2036	6,470,000	2,177,850	2,693,097	87,692	11,428,639
2037 – 2041	6,415,000	1,237,350	-	-	7,652,350
2042 – 2044	4,325,000	262,050	-	-	4,587,050
Total	\$61,525,000	\$17,055,853	\$16,121,754	\$2,192,820	\$97,157,477

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 terms of the project loan payable are reflected in the summary of long-term debt. The System has also borrowed \$5,000,000 under Contract 317078 to fund certain projects at the Theresa Street and Northeast Wastewater Treatment Facilities. The interest rate throughout the term of the loan is 2.0%. The terms of the project loan payable are reflected in the summary of long-term debt. The System has also borrowed \$17,000,000 under Contract 317830 to fund certain wastewater solids handling, trunk sewer, and selected facility replacement improvements. The interest rate throughout the term of the loan is 3.25%. The terms of the project loan payable are reflected in the summary of long-term debt.

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2021 and 2020

(4) Long-term Liabilities (continued)

The City has pledged future revenues derived from the operation of the System, net of operating and maintenance expenses, to repay all outstanding wastewater revenue bonds. Proceeds from the bonds and loans provided financing for improvements to the sanitary sewer system. The bonds and loans are payable solely from the net earnings of the System and are payable through 2044. The total principal and interest remaining to be paid on the bonds and loans is \$97,157,477 with annual payments expected to require 43% of net revenues. Principal and interest paid for the current year and net system revenues were \$8,517,778 and \$19,287,268 respectively.

Construction contract payables of the System at August 31, 2021 and 2020 are summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
August 31, 2021	\$4,159,668	1,683,774	4,159,668	1,683,774	1,683,774
August 31, 2020	\$4,484,741	4,159,668	4,484,741	4,159,668	4,159,668

The System has entered into a lease agreement for financing the acquisition of equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date. The equipment acquired through capital lease was recorded at cost of \$161,970 at the time of acquisition, with accumulated depreciation totaling \$80,985 as of August 31, 2021. The capital lease liability balance due is recorded as accrued liabilities.

Capital Lease Liability:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
August 31, 2021	\$ 93,969	-	22,328	71,641	23,087
August 31, 2020	\$115,563	-	21,594	93,969	22,328

(5) Commitments and Contingencies

Construction Commitments:

The System has commitments under major construction contracts in progress of approximately \$20,044,410 at August 31, 2021 to be paid with revenue and bond proceeds.

Risk Management:

The System participates in the City's self-insurance program administered by the City's Risk Management Division (the Division). The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. On behalf of the City, the Division purchases insurance and administers funds for its self-insured program. The Division maintains a workers' compensation fund and a self-insured loss fund. The Division provides first dollar coverage for all liability and workers' compensation exposure with insurance acting as an umbrella for excess coverage. The maximum exposure would be the deductible amounts for property and auto physical damage, as well as losses not covered by insurance. The City had no claims or judgments exceeding the policy limits during each of the last three prior years. Budgeted premium amounts charged to the System are placed in the appropriate fund maintained by the Division. Premium expense was approximately \$419,000 and \$354,000 in 2021 and 2020, respectively.

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2021 and 2020

(5) Commitments and Contingencies (continued)

Litigation:

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

COVID-19:

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries and their political subdivision. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the System. The extent to which COVID-19 may affect the System's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information, which may emerge concerning the severity of COVID-19 and actions taken to contain COVID-19 or its impact, among others.

Extra precautions were taken for sanitation and social distancing, but overall COVID 19 had minimal effect on Wastewater operations. Additional sanitizing stations, sanitizing supplies, and face masks were utilized, but operations at the treatment plant were not disrupted. Collection system maintenance was unaffected. The Wastewater division partnered with the University of Nebraska – Lincoln and the University of Nebraska Medical Center for COVID monitoring of our influent and effluent wastewater

(6) Related Party Transactions

The City billed the System approximately \$763,000 and \$488,000 for administrative services during 2021 and 2020, 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 \$1,518,179 and \$1,372,895 during 2021 and 2020 respectively. At August 31, 2021 and 2020, approximately \$135,408 and \$124,000, 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 \$2,964,924 and \$2,039,775 as of August 31, 2021 and 2020, respectively.

LINCOLN WASTEWATER SYSTEM

An Enterprise Fund of the City of Lincoln, Nebraska

Notes to Financial Statements

August 31, 2021 and 2020

(6) Related Party Transactions (continued)

An LTU Division, Watershed, also made a cash transfer of \$1,064,396 to Wastewater CIP Project #702852 – Cardwell/South Salt Creek for Watershed's portion of the project.

The City of Lincoln general fund borrowed monies from the pooled cash and investment account. The System's allocated share of the borrowing is \$369,849 and \$411,318 as of August 31, 2021 and 2020, respectively. This amount is reflected as a current asset and is included in Due from Other Funds on the statement of net position.

(7) Pension Plan

Employees of the System are participants in the City of Lincoln Employees' Retirement Plan. Plan participation is required if the employee has completed five years of continuous service and attained the age of 40. An employee may voluntarily enter the plan upon attaining age 19 and after completing six months of service. The plan is a defined contribution plan requiring employees to contribute to the plan depending on employee class and date of hire. The System contributes between \$1.29 and \$2.00 for every \$1.00 contributed by employees. Plan participants vest in the City's contributions in year three of participation at 20% up to 100% vested in year seven. Contributions made by the System were approximately \$543,000 and \$540,000 for 2021 and 2020, respectively. Contributions made by the plan members were approximately \$289,000 and \$286,000 for 2021 and 2020, respectively.

(8) Other Postemployment Benefits (OPEB)

The City offers employees and their families the opportunity to continue their health care coverage when there is a qualifying event, such as retirement, that would result in a loss of coverage under the City's plan. The City's plan is a single-employer defined benefit plan. The System does not sponsor its own OPEB plan, as an enterprise fund of the City, the System is allocated a portion of the City's total OPEB liability, and related deferred inflows and outflows of resources. This allocation is based on the estimated headcount of the employees in the System compared to the total headcount of participants in the plan. The City's total OPEB liability for the civilian's plan is \$10,952,690 and \$9,424,589 for the years ended August 31, 2021 and 2020 respectively. The System's allocation proportion is 5.12 percent for the year ended August 31, 2021 and 2020.

The System has recognized a long-term accrued liability for its allocated portion of the City's total OPEB liability of approximately \$561,000 and \$481,000 for the years ended August 31, 2021 and 2020 respectively, in connection with GASB Statement No. 75. The System has also recognized a deferred outflow and inflow of resources of approximately \$147,000 and \$32,000, respectively for its allocated portion for the year ended August 31, 2021. The System recognized a deferred outflow and inflow of resources of approximately \$56,000 and \$46,000, respectively for its allocated portion for the year ended August 31, 2020. The total OPEB liability estimate is based on several key assumptions, such as the discount rate, inflation rate, salary increases, healthcare cost trend rates and mortality assumptions. The complete disclosures required by GASB Statement No. 75, including the key assumptions used in the actuarial valuation, are included in the City of Lincoln's Annual Comprehensive Financial Report (ACFR).

SUPPLEMENTARY
INFORMATION

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

Summary of Long-Term Debt

August 31, 2021

Due years ending August 31	NDEQ Loan (C317247) 2009		NDEQ Loan (C317078) 2009		NDEQ Loan (C317830) 2011		Series 2012		Series 2015		Series 2017		Series 2019		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2022	\$ 179,664	\$ 22,831	\$ 248,483	\$ 56,215	\$ 803,295	\$ 253,016	\$ 2,445,000	\$ 745,600	\$ 790,000	\$ 248,738	\$ 785,000	\$ 399,938	\$ 665,000	\$ 865,550	\$ 5,916,442	\$ 2,591,888	\$ 8,508,330
2023	182,001	20,492	253,478	51,220	821,471	234,840	2,540,000	647,800	805,000	232,937	820,000	360,688	700,000	832,300	6,121,950	2,380,277	8,502,227
2024	184,372	18,123	258,572	46,125	840,058	216,253	2,625,000	546,200	830,000	208,788	855,000	319,688	735,000	797,300	6,328,002	2,152,477	8,480,479
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	6,574,608	1,916,471	8,491,079
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	6,826,778	1,670,501	8,497,279
2027 - 2031	882,357	28,869	1,428,690	94,798	4,699,830	581,725	5,450,000	318,000	3,665,000	324,590	5,300,000	584,488	4,550,000	3,101,700	25,975,877	5,034,170	31,010,047
2032 - 2036	-	-	150,479	1,505	2,542,618	86,187	-	-	-	-	970,000	29,100	5,500,000	2,148,750	9,163,097	2,265,542	11,428,639
2037 - 2041	-	-	-	-	-	-	-	-	-	-	-	-	6,415,000	1,237,350	6,415,000	1,237,350	7,652,350
2042 - 2044	-	-	-	-	-	-	-	-	-	-	-	-	4,325,000	262,050	4,325,000	262,050	4,587,050
	\$ 1,804,369	\$ 119,330	\$ 2,872,543	\$ 326,417	\$ 11,444,842	\$ 1,747,073	\$ 18,640,000	\$ 3,030,600	\$ 7,830,000	\$ 1,357,178	\$ 10,585,000	\$ 2,202,525	\$ 24,470,000	\$ 10,727,600	\$ 77,646,754	\$ 19,510,723	\$ 97,157,477

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

Schedule 2

Debt Coverage Ratio

Last ten fiscal years

Fiscal Year Ending	Gross Revenue	Direct Operating Expenses	Net Available Balance	Debt Service Requirement on Revenue Bonds				Debt Service Requirement for all Debt			
				Principal	Interest	Total	Coverage	Principal	Interest	Total	Coverage
2012	24,763,975	12,378,673	12,385,302	2,880,000	3,504,194	6,384,194	1.94	3,137,858	3,655,156	6,793,014	1.82
2013	24,988,276	12,522,160	12,466,116	3,120,000	2,785,825	5,905,825	2.11	3,487,906	3,089,698	6,577,604	1.90
2014	27,049,162	13,337,986	13,711,176	3,245,000	2,638,600	5,883,600	2.33	4,053,916	3,077,999	7,131,915	1.92
2015	28,026,866	13,541,561	14,485,305	2,710,000	2,544,000	5,254,000	2.76	3,747,284	3,114,518	6,861,802	2.11
2016	29,026,441	14,019,060	15,007,381	3,470,000	2,219,023	5,689,023	2.64	4,562,314	2,690,212	7,252,525	2.07
2017	30,516,105	14,726,200	15,789,905	3,650,000	2,017,875	5,667,875	2.79	4,761,636	2,619,979	7,381,615	2.14
2018	32,381,312	14,863,221	17,518,091	3,465,000	1,789,583	5,254,583	3.33	4,599,602	2,361,501	6,961,103	2.52
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

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

Schedule 3

Utility Plant in Service

August 31, 2021 and 2020

Asset Class	Capital Assets				Accumulated Depreciation				Net Capital Assets	
	August 31, 2020	Increases	Decreases/ Transfers	August 31, 2021	August 31, 2020	Increases	Decreases	August 31, 2021	August 31, 2021	
Theresa Street Plant:										
Structures and improvements	\$ 62,173,752	\$ 3,079,500	\$ -	\$ 65,253,252	\$ (28,290,261)	\$ (1,551,634)	\$ -	\$ (29,841,895)	\$ 35,411,357	
Line equipment	301,333	61,068	-	362,401	(209,782)	(12,790)	-	(222,572)	139,829	
Treatment equipment	48,412,224	5,127,140	-	53,539,364	(33,777,178)	(2,288,521)	-	(36,065,699)	17,473,665	
Collection system	272,909,074	11,449,441	-	284,358,515	(76,094,524)	(3,768,571)	-	(79,863,095)	204,495,420	
Lift stations/force mains	9,720,666	-	-	9,720,666	(1,769,353)	(215,518)	-	(1,984,871)	7,735,795	
Environmental equipment	391,061	-	-	391,061	(369,662)	(3,652)	-	(373,314)	17,747	
Office furniture and equipment	531,887	-	-	531,887	(501,935)	(8,828)	-	(510,763)	21,124	
Shop equipment	140,132	-	-	140,132	(119,817)	(2,805)	-	(122,622)	17,510	
Communications system	2,604,118	26,839	-	2,630,957	(999,410)	(210,548)	-	(1,209,958)	1,420,999	
Laboratory equipment	898,602	-	-	898,602	(737,009)	(40,203)	-	(777,212)	121,390	
Meters	7,371,173	564,746	-	7,935,919	(4,146,502)	(300,630)	-	(4,447,132)	3,488,787	
Theresa Street depreciable assets	405,454,022	20,308,734	-	425,762,756	(147,015,433)	(8,403,700)	-	(155,419,133)	270,343,623	
Land and land rights	6,104,305	76,823	-	6,181,128	-	-	-	-	6,181,128	
Theresa Street nondepreciable assets	6,104,305	76,823	-	6,181,128	-	-	-	-	6,181,128	
Total Theresa Street Plant	411,558,327	20,385,557	-	431,943,884	(147,015,433)	(8,403,700)	-	(155,419,133)	276,524,751	
Northeast Plant:										
Structures and improvements	\$ 19,390,701	\$ -	\$ -	\$ 19,390,701	\$ (11,498,806)	\$ (407,695)	\$ -	\$ (11,906,501)	\$ 7,484,200	
Treatment equipment	21,846,415	29,058	-	21,875,473	(8,705,114)	(549,715)	-	(9,254,829)	12,620,644	
Office furniture and equipment	11,413	-	-	11,413	(11,207)	-	-	(11,207)	206	
Shop and work equipment	150,302	-	-	150,302	(143,940)	(5,712)	-	(149,652)	650	
Communications system	8,827	-	-	8,827	(8,827)	-	-	(8,827)	-	
Injection system	658,907	-	-	658,907	(497,854)	(10,083)	-	(507,937)	150,970	
Pond and liner	520,132	-	-	520,132	(520,132)	-	-	(520,132)	-	
Sludge injection equipment	79,663	-	-	79,663	(79,663)	-	-	(79,663)	-	
Lift stations/force mains	-	-	-	-	1,685	-	-	1,685	1,685	
Transmission/work equipment	1,125,400	-	-	1,125,400	(620,409)	(51,336)	-	(671,745)	453,655	
Northeast depreciable assets	43,791,760	29,058	-	43,820,818	(22,084,267)	(1,024,541)	-	(23,108,808)	20,712,010	
Land and land rights	2,061,042	-	-	2,061,042	-	-	-	-	2,061,042	
Northeast nondepreciable assets	2,061,042	-	-	2,061,042	-	-	-	-	2,061,042	
Total Northeast Plant	45,852,802	29,058	-	45,881,860	(22,084,267)	(1,024,541)	-	(23,108,808)	22,773,052	
Vehicles and work equipment (all locations)	4,812,633	471,630	(75,065)	5,209,198	(2,835,004)	(280,750)	35,116	(3,080,638)	2,128,560	
Utility plant in service	\$ 462,223,762	\$ 20,886,245	\$ (75,065)	\$ 483,034,942	\$ (171,934,704)	\$ (9,708,991)	\$ 35,116	\$ (181,608,579)	\$ 301,426,363	
Construction in progress	26,664,366	14,063,071	(15,021,698)	25,705,739	-	-	-	-	25,705,739	
Total capital assets	\$ 488,888,128	\$ 34,949,316	\$ (15,096,763)	\$ 508,740,681	\$ (171,934,704)	\$ (9,708,991)	\$ 35,116	\$ (181,608,579)	\$ 327,132,102	

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

GENERAL STATISTICS

Year Ended August 31, 2021

(Unaudited)

Altitude of Lincoln, Nebraska	1,167 Feet
Area of Lincoln, Nebraska	100.51 Square Miles
Population	291,082 Estimate
Total Miles of Wastewater Mains & Collector Lines in Use:	
Miles in use September 1, 2020	1,134
Estimated Added During Year	12
Estimated Removed During Year	—
Total as of August 31, 2021	1,146 Miles
Number of Wastewater Lift (Pumping) Stations:	16
Number of Stormwater Pumping Stations:	4
Plant Capacity:	
Theresa Street Treatment Facility	27.4 million gallons per day
Northeast Treatment Facility	10.0 million gallons per day
Average Daily Flow:	
Theresa Street Treatment Facility	24.2 million gallons per day
Northeast Treatment Facility	4.0 million gallons per day
Total Number of Active Residential Wastewater Customers	
End of Fiscal Year	82,551
Total Number of Active Non-Residential Wastewater Customers	
End of Fiscal Year	4,703
Total Debt of Lincoln Wastewater System as of August 31, 2021	\$77,646,754

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

TOP TEN CUSTOMERS

Year Ended August 31, 2021

(Unaudited)

	<u>USAGE</u> (HCF)	<u>AMOUNT</u>
1. University of Nebraska	395,864	\$996,588
2. State of Nebraska	258,925	607,283
3. Lincoln Industries, Inc.	125,536	292,120
4. Archer Daniels Midland Company	117,686	274,977
5. Bryan Health	99,634	242,401
6. University of Nebraska Foundation	92,562	211,008
7. AH 42 LLC / Zoetis	88,510	207,838
8. Lincoln Housing Authority	81,067	268,379
9. Lincoln Public Schools	74,287	261,289
10. Veyance Technologies, Inc.	66,696	156,690
Top Ten User Totals	1,400,767	\$3,518,573

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

Summary of Insurance Coverage

August 31, 2021

(Unaudited)

Type of policy	Insurance coverage	Policy limits	Self-insured retention deductible	Department Self-insurance deductible	Insurance carrier	Policy number
Automobile Fleet Liability	Self-Insured Excess Coverage Excess Coverage	0 - 250,000 250,000 - 1,000,000 1,000,000 - 6,000,000	250,000		States	3000027-4
Automobile Fleet Physical Damage**	Self-Insured	Actual cash value	2,500	2,500	None	
Building and Contents (includes Boiler & Machinery)	Blanket policy - buildings and contents	Replacement cost	100,000	2,500	FM Global	1070477
Money and Securities	Inside/outside premises	3,000,000	25,000	10,000	Hartford Fire	83FA029203120
Data Processing Equipment	Computer equipment, data and media	Replacement cost	100,000	2,500	FM Global	1070477
Equipment Floater (NON-LIC)	Non-licensed scheduled equipment	Actual Cash Value	100,000	2,500	FM Global	1070477
Equipment Floater (Sanitary)	Inspection scheduled equipment	Replacement cost	100,000	2,500	FM Global	1070477
General Liability ***	\$6,000,000 occurrence / \$12,000,000 annual aggregate	6,000,000	250,000	0	States	3000027-4
Public Employee Blanket Bond	Employees blanket bond coverage	3,000,000	25,000	10,000	Hartford Fire	83FA029203120
Public Officials Liability***	\$6,000,000 occurrence / \$12,000,000 annual aggregate	6,000,000	250,000	0	States	3000027-4
Workers' Compensation Excess	Statutory	Statutory	800,000	0	Midwest Employers Casualty (MECC)	EWC007744
Cyber Liability	1 st Party/3 rd Party/Data Breach	3,000,000	50,000		XL Catlin	MTP903493603

** Self-insured for both comp & collision.

*** Public Entity Policy

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

Summary of Insurance Coverage

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

AUTOMOBILE INSURANCE

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

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

PROPERTY INSURANCE

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

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

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

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

GENERAL LIABILITY

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

PUBLIC EMPLOYEES BLANKET BOND

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

PUBLIC OFFICIALS LIABILITY (Claims-made)

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

WORKERS' COMPENSATION

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

CYBER INSURANCE

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

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE

SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE

The following is a summary of certain definitions used in and provisions of the Ordinance. Summaries of certain definitions contained in the Ordinance are set forth below. Other terms defined in the Ordinance for which summary definitions are not set forth below are indicated by capitalization. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Ordinance, to which reference is hereby made. Copies of the Ordinance may be obtained from the City or from the Underwriter.

Definitions

The terms defined below are among those used in the summary of the Ordinance. Except where otherwise indicated or provided, words in the singular include the plural and vice versa.

“Accreted Value” means, with respect to any Capital Appreciation Bond, the principal amount thereof plus the interest accrued thereon from the date of original issuance thereof to the Periodic Compounding Date next preceding the date of computation or the date of computation if a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Capital Appreciation Bonds determined in accordance with such Series Ordinance compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Accreted Value as of the immediately preceding Periodic Compounding Date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Accreted Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in such Series Ordinance, Accreted Value accrues in equal daily amounts on the basis of a year consisting of twelve 30-day months.

“Act” means Sections 15-244 and 18-1803 to 18-1805, inclusive, Reissue Revised Statutes of Nebraska, as amended, and Section 44 of Article IX of the Charter of the City, as each may be amended from time to time.

“Aggregate Debt Service” for any period means, as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all Bonds.

“Appreciated Value” means, with respect to any Deferred Income Bond, (a) as of any date of computation prior to the Current Interest Commencement Date with respect to such Deferred Income Bond, an amount equal to the principal amount of such Bond plus the interest accrued on such Bond from the date of original issuance of such Bond to the Periodic Compounding Date next preceding the date of computation or the date of computation if a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Deferred Income Bonds determined in accordance with the Series Ordinance authorizing such Bonds, compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Appreciated Value as of the immediately preceding Periodic Compounding date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Appreciated Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in the Series Ordinance authorizing such Deferred Income Bonds, Appreciated Value accrues in equal daily amounts on the basis of a year consisting of twelve 30-day months and (b) as of any date of computation on and after the Current Interest Commencement Date, the Appreciated Value on the Current Interest Commencement Date.

“Arbitrage Certificate” means the certificate dated as of the date of issuance, sale and delivery of a Series of Bonds concerning the requirements of the Internal Revenue Code of 1986, as amended, and any applicable regulations with respect to such Series of Bonds.

“Arbitrage Instructions” means the Arbitrage Instructions included in any Arbitrage Certificate, as the same may be amended or supplemented in accordance with the provisions thereof.

“Authorized Investments” means any of the following investments in which the City may legally invest sums subject to its control pursuant to the Constitution and statutes of the State and the Charter of the City (all as may be amended from time to time):

(a) Any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any Federal agency to the extent unconditionally guaranteed by the United States of America, and any certificates or any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this subsection (a);

(b) Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (1) which are (A) not callable prior to maturity or (B) as to which irrevocable instructions have been given to the trustee or paying agent of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (2) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in subsection (a) above which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in (a) of this subsection (b), as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described in subsection (a) above which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this subsection (b) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in (1) of this subsection (b) as appropriate, and any certificates or any other evidences of an ownership interest in obligations or specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this subsection (b);

(c) Any bonds or other obligations or specified portions thereof (which may consist of specified portions of the interest thereon) which the Finance Director determines are of credit quality essentially equivalent to the investments described in subsection (a) above, and any certificates or any other evidences of an ownership interest in obligations or specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this subsection (c);

(d) Bonds, debentures, or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America;

(e) New housing authority bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(f) Obligations of any state of the United States of America, or of any agency, instrumentality or local government unit of any such state which are, at the time of purchase, rated by Moody’s Investors Service (“**Moody’s**”) and Standard & Poor’s Corporation (“**S&P**”) in either of its two highest whole rating categories, for comparable types of debt obligations;

(g) Certificates of deposit, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Registrar) or any savings and loan association, in each case, which is an insured depository institution (as defined in 12 U.C.C. §§ 1801 et seq.) provided that the aggregate principal amount of all certificates of deposit issued by any such bank, trust company, national banking association or savings and

loan association which are purchased with monies held in any fund or account under the Ordinance shall be (1) fully insured by the Federal Deposit Insurance Corporation or (2) secured, to the extent not insured by the Federal Deposit Insurance Corporation, by such securities as are described in subsection (a) to (f) or subsection (h) subsection (l) of this definition having market value (exclusive of accrued interest, other than accrued interest paid in connection with the purchase of such securities) at least equal to the principal amount of such certificates of deposit (or portion thereof not insured by the Federal Deposit Insurance Corporation) which shall be lodged with the Registrar or another fiduciary, as custodian, by such bank, trust company, national banking association or savings and loan association shall furnish the Registrar or the City Treasurer, as the case may be, with an undertaking satisfactory to him or it that the aggregate market value of all such obligations securing such certificates of deposit will at all times be an amount which meets the requirements of this clause (2) and the City Treasurer or the Registrar, as the case may be, shall be entitled to rely on each such undertaking;

(h) Commercial paper which is rated at the time of purchase in the single highest classification, “P-1” by Moody’s and “A-1” by S&P and which matures not more than 270 calendar days after the date of purchase;

(i) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P;

(j) Any repurchase agreement which is secured by any one or more of the securities described in subsections (a) to (e) above;

(k) Interests in a portfolio of debt instruments containing only obligations described in any of the foregoing paragraphs, including, without limitation a mutual fund or a money market fund satisfying the requirements of this subsection (k); and

(l) Any other obligations which are, at the time of purchase, rated by Moody’s and S&P or which are guaranteed or provided by an entity which is rated by Moody’s and S&P in either of its two highest whole rating categories.

“Bond” or **“Bonds”** means any bonds, notes or other obligations or evidences of indebtedness, as the case may be, authenticated and delivered under and Outstanding pursuant to the Ordinance but shall not mean Subordinated Indebtedness.

“Bond Fund” means the City of Lincoln, Nebraska Sanitary Sewer Revenue Bond Fund established pursuant to the Ordinance.

“Bond Obligation” means, as of any date of calculation, (a) with respect to any Outstanding Current Interest Bond, the principal amount of such Bond, (b) with respect to any Outstanding Capital Appreciation Bond, the Accreted Value thereof as of the date on which interest on such Capital Appreciation Bond is compounded next preceding such date of calculation (unless such date of calculation is a date on which such interest is compounded, in which case, as of such date), and (c) with respect to any Outstanding Deferred Income Bond, the Appreciated Value thereof as of the date on which interest on such Deferred Income Bond is computed next preceding such date of calculation (unless such date of calculation is a date on which such interest is compounded, in which case as of such date).

“Capital Appreciation Bonds” means any Bonds the interest on which is (a) compounded periodically on dates that are determined in accordance with the Series Ordinance authorizing such Capital Appreciation Bonds and (b) payable only at the maturity, earlier redemption or other payment thereof pursuant to the Ordinance or the Series Ordinance authorizing such Capital Appreciation Bonds.

“Capital Improvement Fund” means the Capital Improvement Fund created with the City pursuant to the provisions of the Ordinance.

“Construction Fund” means the Construction Fund established with the City pursuant to the provisions of the Ordinance.

“Costs,” with respect to the System or any part thereof, means the costs, expenses and liabilities paid or incurred or to be paid or incurred by the City in connection with the planning, engineering, designing, acquiring, constructing, installing, financing, operating, maintaining, repairing, extending, improving, reconstructing, retiring, decommissioning and disposing thereof and the obtaining of governmental approvals, certificates, permits and licenses with respect thereto, including, but not limited to, any good faith or other similar payment or deposits required in connection with the acquisition or construction of such part of the System, the cost of acquisition by or for the City of real and personal property or any interests therein, costs of physical construction of such part of the System and costs of the City incidental to such construction or acquisition, all costs relating to injury and damage claims relating to such part of the System, preliminary investigation and development costs, engineering fees and expenses, contractors’ fees and expenses, the costs of labor, materials, equipment and utility services and supplies, legal and financial advisory fees and expenses, capitalized interest and financing costs, including, without limitation, bank commitment and letter of credit fees and bond insurance and indemnity premiums, fees and expenses of the Fiduciaries (if any), administration and general overhead expense and costs of keeping accounts and making reports required by the Ordinance prior to or in connection with the completion of acquisition or construction of such part of the System, amounts, if any, required by the Ordinance to be paid into the Bond Fund to provide, among other things, for interest accruing on Bonds or into the Reserve Fund to provide for such reserves, if any, as may be specified in a Series or Supplemental Ordinance or to be paid into the Sanitary Sewer Revenue Fund for any of the respective purposes thereof, payments when due (whether at the maturity of principal or the due date of interest or upon redemption) on any indebtedness of the City with respect to the System and reserves therefor, and all federal, state and local taxes and payments in lieu of taxes in connection with any part of the System and shall include reimbursements to the City for any of the above items theretofore paid by or on behalf of the City.

“Credit Facility” means a letter of credit, line of credit, liquidity facility or other credit facility issued by a financial institution or other form of credit enhancement, including, but not limited to, municipal bond insurance and guarantees, delivered to the Paying Agent for all or a portion of a Series of Bonds, which provides for payment, in accordance with the terms of such Credit Facility, of principal, Accreted Value, Appreciated Value, premium and/or interest of all or a portion of a Series of Bonds and/or the purchase price of such Series of Bonds or portion thereof. A Credit Facility may be comprised of one or more credit facilities issued by one or more financial institutions.

“Current Interest Bonds” means the Bonds of any Series, other than Capital Appreciation Bonds or Deferred Income Bonds, which pay interest at least annually to the Owners thereof excluding the first payment of interest thereon.

“Current Interest Commencement Date” means with respect to any particular Deferred Income Bonds, the date determined in accordance with the Series Ordinance authorizing such Deferred Income Bonds (which date must be prior to the maturity date for such Deferred Income Bonds) after which interest accruing on such Deferred Income Bonds shall be payable periodically on dates determined in accordance with such Series Ordinance, with the first such payment date being the first such periodic date immediately succeeding such Current Interest Commencement Date.

“Debt Service” for any period means, as of any date of calculation and with respect to any Series of Bonds, an amount equal to the sum of (a) interest accruing during such period on Bonds of such Series, except to the extent that such interest is to be paid from deposits in the Bond Fund made from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of the City (including amounts, if any, transferred thereto from the Construction Fund) and (b) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for Bonds of such Series (or, if (1) there shall be no such preceding Principal Installment due date or (2) such preceding Principal Installment due date is more than one year prior to the due date of such Principal Installment, then, from a date one year preceding the due date of such Principal Installment or from the date of issuance of the Bonds of such Series, whichever date is later). Such interest and Principal Installments for Bonds of such Series shall be calculated on the assumption that (x) no Bonds (except for Option Bonds actually tendered for payment prior to the stated maturity thereof) of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof, and (y) the principal amount of Option

Bonds tendered for payment before the stated maturity thereof shall be deemed to accrue on the date required to be paid pursuant to such tender.

“Deferred Income Bonds” means any Bond issued under the Ordinance as to which interest accruing prior to the Current Interest Commencement Date is (a) compounded periodically on dates determined in accordance with the Series Ordinance authorizing such Deferred Income Bonds and (b) payable only at the maturity, earlier redemption or other payment thereof pursuant to the Ordinance or the Series Ordinance authorizing such Deferred Income Bonds.

“Depreciation” means the depreciation and amortization expenses with respect to the System, classified as such in accordance with generally accepted accounting principles for proprietary governmental operations such as the System.

“Federal Securities” means direct obligations of, or obligations the timely payment of which are unconditionally guaranteed by, the United States of America or the Treasury Department of the United States of America or securities or receipts evidencing direct ownership interests in the foregoing obligations or specific portions (such as principal or interest) of the foregoing obligations which are maintained under the book entry system operated by Federal Reserve Banks.

“Independent Consultant” means an independent firm, person or corporation recognized as having expertise and with a favorable reputation for special skill and knowledge in the operations and financing of municipal sanitary sewer collection and treatment facilities and systems similar in size to the System.

“Insurance Consultant” means an individual or firm selected by the City qualified to survey risks and to recommend insurance coverage for entities engaged in operations similar to those of the System and having a favorable reputation for skill and experience in making such surveys and recommendations.

“Municipal Obligations” means municipal obligations, rated in the highest Rating Category by any Rating Agency meeting the following conditions:

- (a) the municipal obligations are not to be redeemable prior to maturity, or the trustee, registrar or paying agent, as appropriate, with respect to such obligations has been given irrevocable instructions concerning their calling and redemption;
- (b) the municipal obligations are secured by Federal Securities, which Federal Securities, except for provisions relating to surplus moneys not required for the payment of the municipal obligations and the substitution of such Federal Securities for other Federal Securities satisfying all criteria for Federal Securities, may be applied only to interest, principal and premium payments of such municipal obligations;
- (c) the principal of and interest on the Federal Securities (plus any cash in the escrow fund) are sufficient, without reinvestment, to meet the liabilities of the municipal obligations; and
- (d) the Federal Securities serving as security for the municipal obligations are held by an escrow agent or trustee.

“Net Revenues” means Revenues less Operation and Maintenance Expenses plus Depreciation, determined in accordance with generally accepted accounting principles for proprietary governmental operations such as the System.

“Operation and Maintenance Expenses” means the necessary expenditures for operating and maintaining the System and shall include expenditures generally classified as operating expenses in accordance with generally accepted accounting principles for proprietary governmental operations such as the System.

“Option Bonds” means Bonds which by their terms may or are required to be tendered by and at the option of the Owner thereof for payment by the City prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the Owner thereof.

“Outstanding” means when used as of any particular time with reference to Bonds (subject to the provisions of the Ordinance), all Bonds theretofore, or thereupon being, authenticated and delivered by the Registrar under the Ordinance except (a) Bonds theretofore cancelled by the Paying Agent or surrendered to the Paying Agent for cancellation (or in the case of Book Entry Bonds, to the extent provided in the Ordinance, portions thereof deemed to have been cancelled); (b) Bonds (or in the case of Book Entry Bonds, to the extent provided in the Ordinance, portions thereof with respect to which all liability of the City shall have been discharged in accordance with the Ordinance; (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Registrar pursuant to the Ordinance; and (d) Bonds no longer deemed to be outstanding under the Ordinance as provided in the Series Ordinance pursuant to which such Bonds were issued.

“Paying Agent” means the person or institution, which may include the City Treasurer or the Finance Director or his designee, or such other agent or official of the City as may be designated in a Series Ordinance to make payments of the principal of, Redemption Price and interest on the Series of Bonds authorized by such Series Ordinance to the registered owners thereof.

“Payment Date” means, with respect to a Series of Bonds, the date upon which any principal, Accreted Value, Appreciated Value or Redemption Price, and interest thereon is payable to the registered owners of such Series of Bonds.

“Periodic Compounding Date” means, with respect to a Capital Appreciation Bond or a Deferred Income Bond, the periodic date determined in accordance with the Series Ordinance authorizing such Capital Appreciation Bond or Deferred Income Bond on which interest on such Bond is to be compounded.

“Principal Installment” means, as of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding, (a) the principal amount of Bonds (including the principal amount of any Option Bonds tendered for payment prior to the stated maturity thereof) of such Series due (or so tendered for payment) on a certain future date for which no Sinking Fund Installments have been established, or (b) the unsatisfied balance (determined as provided in the Ordinance) of any Sinking Fund Installments due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bond on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (c) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

“Project” means any sanitary sewer transmission, distribution and treatment plant facilities, and all other property, real and personal, of every kind and nature material or pertinent thereto or necessary therefor, located within or without the City or the State of Nebraska, which may be used or useful in the transmission, distribution or treatment of sanitary sewerage, and in the collection and treatment of sanitary sewerage to all those contracting with the City therefor, as provided in the Act, including any interest therein or right to capacity thereof, and may include, without limitations, a divided or undivided interest in any transmission, distribution or treatment plant facility in which the City shall participate as an owner in common with others.

“Prudent Utility Practice” means any of the practices, methods and acts (including, but not limited to, any practices, methods and acts engaged in or approved by a significant portion of the sanitary waste disposal utility industry prior thereto) which, in the exercise of reasonable judgment, in the light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at reasonable cost consistent with reliability, safety and expediency. In applying the standard of Prudent Utility Practice to any matter under the Ordinance, equitable consideration shall be given to the circumstances, requirements and obligations of the City, and there shall be taken into account the fact that the City is a political subdivision of the State with prescribed statutory powers, duties and responsibilities. Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather is a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at reasonable cost consistent with reliability, safety and expediency. Prudent Utility Practice includes due regard for manufactures’ warranties and the requirements of governmental agencies which have jurisdiction.

“Rebate Fund” means the Rebate Fund established the City pursuant to the Ordinance.

“Registrar” means the person or institution, which may include the City Treasurer or the Finance Director or his designee, or such other agent or official of the City as may be designated in a Series Ordinance to maintain on behalf of the City books of record in which the registered owners of the Bonds authorized by such Series Ordinance and their registered addresses shall be duly recorded.

“Reserve Fund” means the Reserve Fund established with the City pursuant to the provisions of the Ordinance, in which there shall be established an account for each Series of Bonds issued pursuant to the Ordinance.

“Reserve Requirement” means, with respect to a Series of Bonds, an amount which is equal to the lower of (a) the maximum annual Debt Service requirements on such Series of Bonds, or (b) 125% of average annual Debt Service requirements on such Series of Bonds; provided that the amount required to be deposited into any account in the Reserve Fund in connection with the issuance of any Series of Bonds shall not exceed 10% of the original principal amount of such Series of Bonds (adjusted as required by the Code for any original issue discount or original issue premium).

“Revenue Fund” means the Sanitary Sewer Revenue Fund created with the City in Section 24 of the Prior Lien Bond Ordinance and continued pursuant to the provisions of the Ordinance, into which all of the Revenues of the System shall be deposited.

“Revenues” means (a) total operating revenues, plus (b) interest income, plus (c) tap fees, plus (d) impact fees, if any, allocable to the System, plus (e) such other revenues and income as shall be determined to be appropriate in accordance with generally accepted accounting principles for proprietary governmental operations such as the System.

“Sinking Fund Installment” means an amount so designated which is established pursuant to a Series Ordinance authorizing a Series of Bonds and which is required by the Ordinance to be deposited in the Bond Fund for the payment of Term Bonds of such series and maturity.

“Subordinated Indebtedness” means an evidence of indebtedness or obligation to pay money complying with the provisions of the Ordinance requiring the payment of the principal of and interest on the same be payable subordinate in all respects to the security interest in and pledge created by the Ordinance as security for the Bonds.

“Surplus Fund” means the Surplus Fund established with the City pursuant to the provisions of the Ordinance.

“System” means all properties and assets, and interests in properties and assets, real and personal and tangible and intangible, of the City now or hereafter existing used for or pertaining to collecting, transmitting, distributing and treating sanitary sewerage, and shall be broadly construed to encompass and include all Projects, now existing and hereafter acquired by lease, contract, purchase or otherwise or constructed by the City, including any interest or participation of the City in any such facilities or any rights to the output or capacity thereof, together with all additions, betterments, extensions and improvements to said sanitary sewer system or any part thereof hereafter made and together with all lands, easements and rights of way of the City and all other works, property or structures of the City and contract rights and other tangible and intangible assets of the City used or useful in connection with or related to said sanitary sewer system.

“Variable Rate Indebtedness” means any indebtedness or obligation the interest rate on, or amount of, which is not fixed at the time of incurrence of such indebtedness or obligation, and has not at some subsequent date been fixed, at a single numerical rate for the entire remaining term of the indebtedness or obligation.

Pledge

The Bonds of each Series are special limited obligations of the City and are secured by a pledge of and shall be a charge upon and shall be payable, as to the principal, Accreted Value and Appreciated Value thereof, interest

thereon, and any premiums upon redemption thereof, solely from and secured by a lien upon (a) the Net Revenues and (b) the other funds, assets and security described under the Ordinance and under the Series Ordinance creating such Series. In the Ordinance, the City pledges and places a charge upon all Net Revenues to secure the payment of the principal, Accreted Value and Appreciated Value of, premium, if any, and interest on the Bonds in accordance with their respective terms without priority or distinction of one over the other, subject only to the provisions of the Ordinance, permitting the application thereof for the purposes and on the terms and conditions set forth therein, and the Net Revenues constitute a trust for the security and payment of the interest and any premium on and principal, Accreted Value and Appreciated Value of the Bonds. The Ordinance pledges to secure the payment of the principal, Accreted Value and Appreciated Value of and premium, if any, and interest on the Bonds in accordance with their terms all amounts (including proceeds of the Bonds) held by the City in the Bond Fund and the Reserve Fund, subject only to the provisions of the Ordinance permitting the application thereof for the purposes and on the terms and conditions set forth therein. The pledge of Net Revenues made in the Ordinance shall remain in effect until there are no Bonds Outstanding.

Application of Revenues

The Revenues are pledged by the Ordinance to secure the payment of the principal of and interest and redemption premium on the Bonds of all Series, subject to the provisions of the Ordinance permitting application for other purposes. The Ordinance requires that all Revenues of the System be collected on each Business Day of the City by or for the account of the City and deposited as promptly as practicable after the receipt thereof in the Revenue Fund. The Revenue Fund and the moneys deposited therein shall be used and applied only in the manner and for the purposes provided in the Ordinance.

Funds

In addition to the Sanitary Sewer Revenue Fund, the following funds and accounts, to be held by the City, are established by the Ordinance:

- (a) Operation and Maintenance Account in the Revenue Fund;
- (b) Bond Fund;
- (c) Reserve Fund, in which there shall be established an account for each Series of Bonds issued pursuant to the Ordinance;
- (d) Capital Improvement Fund;
- (e) Rebate Fund;
- (f) Surplus Fund; and
- (g) Construction Fund

At any time and from time to time, there may be established such other funds and accounts as the City shall determine to be necessary, desirable, advisable or in the best interests of City for such purposes as the City shall determine.

Sanitary Sewer Revenue Fund. The City covenants and agrees in the Ordinance that from and after the delivery of the initial Series of Bonds issued under the Ordinance, and continuing as long as any Bonds remain Outstanding, all of the Revenues derived and collected from the operation of the System shall as and when received be paid and deposited into the Sanitary Sewer Revenue Fund. Said Revenues shall be segregated and kept separate and apart from all other moneys, revenues, funds and accounts of the City and shall not be commingled with any other moneys, revenues, funds and accounts of the City. The Sanitary Sewer Revenue Fund shall be administered and applied solely for the purposes and in the manner provided in the Ordinance.

Application of Money in Funds. Subject to the provisions of the Ordinance, the City covenants and agrees that from and after the delivery of the initial Series of Bonds under the Ordinance and continuing so long as any Bonds shall remain Outstanding, it will on the first day of each month administer and allocate all of the moneys then held in the Sanitary Sewer Revenue Fund as follows:

(a) *Operation and Maintenance.* There shall first be deposited and credited to the Operation and Maintenance Account as a first charge against the Sanitary Sewer Revenue Fund an amount sufficient to pay the estimated Operation and Maintenance Expenses during the current calendar month and the next succeeding calendar month as the same become due and payable.

(b) *Bond Fund.* There shall next be paid and credited monthly to the Bond Fund, an amount such that if the same amount were deposited on the first day of each month thereafter, the balance of the Bond Fund would be sufficient to pay the interest on and principal of, Accreted Value or Appreciated Value, on the next succeeding Payment Date. Any amounts deposited in the Bond Fund as accrued interest or as capitalized interest in accordance with a Series Ordinance shall be credited against the City's payment obligations as set forth in the Ordinance.

(c) *Reserve Fund.* After all payments and credits required at the time to be made under the provisions of subsections (a) and (b) above have been made, there shall next be paid and credited to each Account established in the Reserve Fund, all remaining Revenues until the amount on deposit in each Account in the Reserve Fund aggregates the Reserve Requirement for the Series of Bonds for which such Account was established. So long as each Account in the Reserve Fund aggregates the Reserve Requirement with respect to the Series of Bonds for which such Account was established, no further payments into said Account shall be required, but if the City is ever required to expend and use a part of the moneys in said Account for the purpose authorized in the Ordinance and such expenditure reduces the amount of said Account below the Reserve Requirement for the Series of Bonds for which such Account was established, the City shall resume and continue said monthly payments into said Account until said Account shall again aggregate the Reserve Requirement with respect to the Series of Bonds for which such Account was established. **Notwithstanding anything in the General Ordinance or any Series Ordinance to the contrary, at such time as the Outstanding Bonds (excluding the Series 2022 Bonds) are no longer Outstanding under the General Ordinance, any amounts then-existing in the Reserve Fund with respect to the Series 2022 Bonds shall be released.**

(d) *Surplus Fund.* After all payments and credits required at the time to be made under the provisions of subsections (a), (b) and (c) of this section have been made, all moneys remaining in the Sanitary Sewer Revenue Fund shall be paid and credited to the Surplus Fund.

(e) *Deficiency of Payments into Funds or Accounts.* If at any time the Revenues derived from the operation of the System are insufficient to make any payment on the date or dates specified in the Ordinance, the City will make good the amount of such deficiency by making additional payments or credits out of the first available Revenues thereafter received from the operation of the System, such payments and credits being made and applied in the order hereinbefore specified under the caption "Application of Money in Funds."

Bond Fund.

The City shall pay out of the Bond Fund to the respective Paying Agents not less than three (3) Business Days before (a) each Payment Date for any of the Bonds the amount required for the interest and principal; and (b) before any redemption date for the Bonds, the amount required for the payment of interest on and the Redemption Price of the Bonds then to be redeemed. Such amounts shall be applied by the Paying Agents on the due dates thereof. The City shall also pay out of the Bond Fund the accrued interest included in the purchase price of the Bonds purchased for retirement.

The amount, if any, deposited in the Bond Fund from the proceeds of each Series of Bonds shall be set aside in the Bond Fund and applied to the payment of interest on Bonds in accordance with the Series Ordinance pursuant

to which such Series of Bonds were authorized. The amount, if any, deposited in the Bond Fund from the proceeds of Subordinated Indebtedness or other evidences of indebtedness of the City shall be set aside in the Bond Fund and applied to the payment of interest on Bonds in accordance with the Series Ordinance authorizing such Subordinated Indebtedness.

In the event of the refunding or defeasance of any Bonds, the City shall withdraw from the Bond Fund all or any portion of the amounts accumulated therein and deposit such amounts with the Paying Agent(s) to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to the Ordinance. In the event of such refunding or defeasance, the City may also withdraw from the Bond Fund all or any portion of the amounts accumulated therein and deposit such amounts in any fund or account established under the Ordinance; provided that such withdrawal shall not be made unless item (a) referred to in the first paragraph under this caption has been satisfied.

Reserve Fund.

(a) The Ordinance required that the City establish a debt service reserve account within the Reserve Fund for each Series of Bonds issued pursuant to the Ordinance which shall be for the benefit and security such Series of Bonds. The City shall hold any such Account and shall deposit therein from the proceeds of the Series of Bonds for which such Account is established or from other funds of the City legally available therefore, an amount equal to the Reserve Requirement for such Series of Bonds.

(b) If any withdrawal from any Account in the Reserve Fund is made for the purpose of Subsection (c)(1) below, the amount of such withdrawal shall be restored by the City in no more than 12 substantially equal, consecutive, monthly installments, each payable on the last Business Day of the month, commencing with the month in which the withdrawal is made; provided that, if any withdrawal is made and if, prior to the restoration of the amount withdrawn, an additional withdrawal is made, such additional withdrawal shall be restored in equal monthly installments over the remainder of the restoration period for the initial withdrawal.

(c) Money on deposit in any Account in the Reserve Fund shall be applied as follows:

(1) On the date of each required payment from the Bond Fund with respect to a Series of Bonds, moneys in the Account established in the Reserve Fund with respect to such Series of Bonds shall be applied to cure any deficiency in the Bond Fund with respect thereto.

(2) Any amount in any Account in the Reserve Fund in excess of the Reserve Requirement with respect to the Series of Bonds for which such Account was established shall be transferred to the Bond Fund and credited against the payments of the principal and interest next becoming due on such Series of Bonds.

(3) On the interest Payment Date immediately preceding the final maturity date of a Series of Bonds, money held in the Account established in the Reserve Fund with respect to such Series of Bonds shall be deposited into the Bond Fund and credited against the deposits required to be made into the Bond Fund with respect to such Series of Bonds but only to the extent that, immediately following such crediting and transfer, the amount on deposit in such Account in the Reserve Fund is equal to the lesser of (A) the Reserve Requirement with respect to such Series of Bonds and (B) the amount of principal and interest due in respect of such Series of Bonds on such final maturity date.

(d) The City shall be permitted to substitute a letter of credit, surety bond or other credit enhancement (each, a "credit facility") for funds on deposit in any Account in the Reserve Fund, provided that:

(1) the credit facility (including any replacement credit facility) is issued by a bank, trust company, national banking association or insurance company whose unsecured long term debt obligations (in the case of a bank, trust company or national banking association) or whose claims paying abilities (in

the case of an insurance company) are rated not lower than the “AAA” Rating Category by a Rating Agency at the time the credit facility is issued and at the time of each extension or renewal thereof;

(2) the issuer of the credit facility does receive as security for any reimbursement obligation in respect of the credit facility a lien solely on the Net Revenues on a parity with any Bonds then Outstanding; and

(3) the credit facility (including any replacement credit facility, if provided by a different issuer) has an initial term of not less than one year and any extension, renewal or replacement (if provided by the same issuer) thereof has a term of not less than one year.

Upon such substitution, funds on deposit in any Account in the Reserve Fund which, when added to the face amount of the credit facility, exceed the Reserve Requirement on the Bonds for which such Account was established, shall be applied as provided in Subsection (c)(2) above (subject to yield restriction, if any, as determined by Bond Counsel). Thereafter, the credit facility shall be considered a part of such Account in the Reserve Fund and the amount available thereunder shall be included in any calculations of the amount required to be retained in such Account; provided that, (A) if the sum of the amount available under the credit facility and the amount of moneys on deposit in such Account in the Reserve Fund exceed the amount required to be on deposit pursuant to subsection (a) above, the City shall be permitted (i) to cause the amount available under the credit facility to be reduced by an amount equal to such excess, or (ii) to direct that the excess money be applied as permitted under subsection (d)(2) above, and (B) if the credit facility is not extended, renewed or replaced at least six months prior to its scheduled expiration or termination date, the City shall be obligated to restore the difference between the Reserve Requirement and the value of such Account in the Reserve Fund computed without regard to the credit facility prior to the expiration or termination date of such credit facility.

Capital Improvement Fund.

There shall be deposited into the Capital Improvement Fund, at the option of the City, such amounts from the Surplus Fund as shall be directed by the City from time to time, together with any moneys received for or in connection with the System by the City from any other source, unless required to be applied otherwise as provided by the Ordinance. All amounts on deposit in the Capital Improvement Fund shall be expended and disbursed from time to time by the City for the purpose of paying Costs of the System not otherwise paid from the Construction Fund. Money in the Capital Improvement Fund may be used to pay the principal of and interest on Bonds to the extent that balances in the Bond Fund, the Surplus Fund and the Reserve Fund are insufficient to pay the same.

Rebate Fund.

(a) There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Arbitrage Instructions. All money in the Rebate Fund shall be held in trust, to the extent required to satisfy the Rebate Amount (as defined in the Arbitrage Instructions), for payment to the United States of America, and neither the City nor the Registered Owner of any Bond shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section and the Arbitrage Instructions.

(b) The City shall periodically determine the rebatable arbitrage under Section 148(f) of the Code in accordance with the Arbitrage Instructions, and the City shall make payments to the United States Government at the times and in the amounts determined under the Arbitrage Instructions. Any funds remaining in the Rebate Fund after redemption and payment of all of the Bonds and the interest thereon, and payment and satisfaction of any Rebate Amount, or provision made therefor, shall be released to the City.

(c) Notwithstanding any other provision of the Ordinance, the obligation to pay rebatable arbitrage to the United States and to comply with all other requirements of this Section and the Arbitrage Instructions shall survive the defeasance or payment in full of the Bonds.

Surplus Fund.

Moneys in the Surplus Fund may be expended and used for the following purposes as determined by the City:

- (a) Paying extraordinary costs of the operation, maintenance and repair of the System;
- (b) Making deposits to the Capital Improvement Fund for the purpose of paying the cost of extending, enlarging or improving the System;
- (c) Preventing default in, anticipating payments into or increasing the amounts in the Bond Fund or any Account in the Reserve Fund referred to in paragraphs (b) and (c) of this Section;
- (d) Calling, redeeming and paying prior to maturity thereof, or, at the option of the City, purchasing in the open market at the best price obtainable not exceeding the redemption price (if any bonds are callable), any Bonds, including principal, interest and redemption premium, if any;
- (e) Paying Debt Service with respect to Subordinated Indebtedness; or
- (f) Any other lawful purpose in connection with the operation of the System and benefiting the System.

So long as any of Bonds remain Outstanding, no moneys derived from the operation of the System shall be diverted to any other purpose

Construction Fund.

- (a) There shall be paid into the Construction Fund such amounts from the proceeds of a Series of Bonds as may be required by the provisions of the Ordinance and any Series Ordinance. Amounts in the Construction Fund shall be applied to pay the Costs of the System in the manner provided in this Section.
- (b) The proceeds of insurance maintained pursuant to the Ordinance against physical loss of or damage to any portion of the System, or of contractors' performance bonds with respect thereto, pertaining to the period of construction thereof, shall, upon receipt by the City, be paid into the Construction Fund.
- (c) The City shall make payments from the Construction Fund in the amounts, at the times, in the manner and on the other terms and conditions established by the City.
- (d) Notwithstanding any of the other provisions regarding the Construction Fund, to the extent that other moneys are not available therefor, amounts in the Construction Fund shall be applied to the payment of principal, Accreted Value or Appreciated Value of and interest on Bonds when due.
- (e) Amounts credited to the Construction Fund which the City at any time determines to be in excess of the amounts required for the purposes thereof shall be transferred to the Capital Improvement Fund; provided, however, that the amount of any such credit to the Capital Improvement Fund shall not constitute or be deemed to constitute Revenues for any purpose of the Ordinance.
- (f) Nothing in the Ordinance shall be construed to prevent the City from permanently discontinuing the acquisition or construction of any portion of the System, the Costs of which are at the time being paid out of the Construction Fund, if the City determines that such discontinuance is necessary or desirable in the conduct of the business of the City and not disadvantageous to the Owners of the Bonds.

Subordinated Indebtedness.

The City may, at any time, or from time to time, issue Subordinated Indebtedness for any lawful purpose of the City related to the System, which Subordinated Indebtedness shall be payable out of, and may be secured by a security interest in and pledge and assignment of, such amounts in the Surplus Fund as may from time to time be available for the purpose of payment thereof; provided, however, that any security interest and pledge and assignment shall be, and shall be expressed to be, subordinated in all respects to the security interest in and pledge created by the Ordinance as security for the Bonds.

Investment of Funds.

Unless limited by the provisions of a Series Ordinance, all amounts held in any fund or account established under the Ordinance may be invested and reinvested in Authorized Investments which investment shall mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such funds and accounts. Any Paying Agent shall make all such investments of moneys held by it in accordance with written instructions received from any Authorized Representative. If any Paying Agent does not receive any such written instructions, such Paying Agent shall invest such fund in such Federal Securities as the Paying Agent shall determine.

Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) earned on any moneys or investments in any fund or account shall be paid into the respective fund or account in which such investment is held; provided, however, that at the direction of the City, such interest earned on moneys or investments in any such fund or account or any portion thereof shall be paid into the Construction Fund. Interest earned on any moneys or investments in the Construction Fund shall be held in the Construction Fund for application as provided in the Ordinance or paid into the Revenue Fund.

In computing the amount in any fund or account created under the provisions of the Ordinance for any purpose provided in the Ordinance, obligations purchased as an investment of moneys therein shall be valued as provided in the applicable policies established by the City from time to time.

Covenant as to Rates, Fees and Charges.

The City will fix, establish, maintain and collect such rates, charges and fees for water and services furnished by the System and revise such rates, charges and fees to produce Revenues each Fiscal Year sufficient:

- (a) to pay all Operation and Maintenance Expenses;
- (b) to produce Net Revenues equal to the annual Debt Service due and payable in such Fiscal Year of the then Outstanding Bonds; and
- (c) to pay after deducting the amounts determined in (a) and (b) above, all other financial obligations of the System reasonably anticipated to be paid from Revenues.

If the Net Revenues in any Fiscal Year are less than the aggregate amount specified above the City shall within sixty (60) days from the date of receipt of the annual audit for such Fiscal Year either (a) cause such rates and charges to be revised and adjusted to comply with this covenant or (b) obtain a written report from an Independent Consultant after a review and study of the operations of the System has been made concluding that, in their opinion, the rates and charges then in effect for the current Fiscal Year are sufficient or adjustments and revisions need to be made to such rates and charges to comply with this covenant and such adjustments and revisions to water rates and charges are promptly implemented and enacted in accordance with such Independent Consultant's report.

Additional Bonds.

(a) So long as any of the Bonds remain Outstanding, the City will not issue any additional bonds or incur or assume any other debt obligations appearing as liabilities on the balance sheet of the City for the payment of moneys determined in accordance with generally accepted accounting principles including capital leases as defined by generally accepted accounting principles, payable out of the Revenues of the System or any part thereof which are superior to the Bonds.

(b) So long as any of the Bonds remain Outstanding, the City will not issue any Additional Bonds payable out of the Net Revenues of the System or any part thereof which stand on a parity or equality with the Bond unless the following conditions are met:

(1) The City shall not be in default in the payment of principal of or interest on any Bonds at the time Outstanding under the Ordinance or in making any payment at the time required to be made into the respective funds and accounts created by and referred to in the Ordinance (unless such additional revenue bonds or obligations are being issued to provide funds to cure such default); and

(2) The City shall have satisfied either of the following:

(A) The annual Net Revenues derived by the City from the operation of the System for the Fiscal Year immediately preceding the issuance of such Additional Bonds shall have been equal to at least 125% of the maximum annual Debt Service required to be paid from the Net Revenues in any succeeding Fiscal Year on account of both principal (at maturity or through a Sinking Fund Installment) and interest becoming due with respect to all Outstanding Bonds of the City, including the Additional Bonds proposed to be issued; or

(B) An Independent Consultant shall project that the annual Net Revenues to be derived by the City from the operation of the System for the Fiscal Year immediately following the Fiscal Year in which the improvements to the System, the cost of which is being financed by such Additional Bonds, are to be in use and operation, shall be equal to at least 125% of the maximum annual Debt Service required to be paid out of the Net Revenues in any succeeding Fiscal Year following such use or operation on account of both principal (at maturity or through a Sinking Fund Installment) and interest becoming due with respect to all Outstanding Bonds of the City, including the Additional Bonds proposed to be issued. In determining the projected Net Revenues for the purpose of this subsection, the Independent Consultant may adjust the Net Revenues by adding thereto any estimated increase in Net Revenues resulting from any increase in rates for the use and services of the System which, in the opinion of the Independent Consultant, are economically feasible and reasonably considered necessary based on projected operations of the System.

Additional Bonds issued under the conditions set forth under this caption shall stand on a parity with the Bonds and shall enjoy complete equality or lien on and claim against the Net Revenues with the Bonds, and the City may make equal provision for paying said Additional Bonds and the interest thereon out of the Revenue Fund.

Certain Other Covenants.

Restrictions on Mortgage or Sale of System. The City will not mortgage, pledge or otherwise encumber the System or any part thereof, nor will it sell, lease or otherwise dispose of the System or any material part thereof; provided, however, the City may:

(a) sell at fair market value any portion of the System which has been replaced by other similar property of at least equal value, or which ceases to be necessary for the efficient operation of the System, and in the event of sale, the City will apply the proceeds to either (1) redemption of Outstanding Bonds in accordance with the provisions governing repayment of Bonds in advance of the maturity thereof, or (2) replacement of the property so disposed of by other property the revenues of which shall be incorporated into the System as hereinbefore provided;

(b) cease to operate, abandon or otherwise dispose of any property which has become obsolete, nonproductive or otherwise unusable to the advantage of the City;

(c) lease, (1) as lessor, any real or personal property which is unused or unimproved, or which has become obsolete, nonproductive or otherwise unusable to the advantage of the City, or which is being acquired as a part of a lease/purchase financing for the acquisition and/or improvement of such property; and/or (2) as lessee, with an option of the City to purchase, any real or personal property for the extension and improvement of the System. Property being leased as lessor and/or lessee pursuant to this subparagraph (c) shall not be treated as part of the System for purposes of this Section 7.05 and may be mortgaged, pledged or otherwise encumbered.

Annual Budget. For each Fiscal Year following delivery of any Bonds under the Ordinance, the City shall prepare and adopt a budget for the System for the next ensuing Fiscal Year.

Operation and Maintenance of the System. The City shall at all times use its best efforts to operate or cause to be operated the System properly and in an efficient and economical manner, consistent with Prudent Utility Practice, and shall use their best efforts to maintain, preserve, reconstruct and keep the same or cause the same to be so maintained, preserved, reconstructed and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or use their best efforts to cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the System may be properly conducted. The City shall promptly pay all Operation and Maintenance Expenses and all other costs and expenses payable from the Revenues.

Maintenance of Insurance. The City will carry and maintain insurance with respect to the System and its operations against such casualties, contingencies and risks (including but not limited to property and casualty, fire and extended coverage insurance upon all of the properties forming a part of the System insofar as the same are of an insurable nature, public liability, business interruption or use and occupancy insurance, worker's compensation and employee dishonesty insurance), such insurance to be of the character and coverage and in such amounts as would normally be carried by other enterprises engaged in similar activities of comparable size and similarly situated. In the event of loss or damage, the City, with reasonable dispatch, will use the proceeds of such insurance in reconstructing and replacing the property damaged or destroyed, or in paying the claims on account of which such proceeds were received, or if such reconstruction or replacement is unnecessary or impracticable, then the City will pay and deposit the proceeds of such insurance into the Sanitary Sewer Revenue Fund. The City will annually review the insurance it maintains with respect to the System to determine that it is customary and adequate to protect its property and operations. The City may elect to be self-insured for all or any part of the foregoing requirements if (a) the City annually obtains a written evaluation with respect to such self-insurance program from an Insurance Consultant, (b) the evaluation is to the effect that the self-insurance program is actuarially sound, (c) unless the evaluation states that such reserves are not necessary, the City deposits and maintains adequate reserves for the self-insurance program with a corporate trustee, who may be the Paying Agent, and (d) in the case of workers' compensation, adequate reserves created by the City for such self-insurance program are deposited and maintained in such amount and manner as are acceptable to the State of Nebraska. The City shall pay any fees and expenses of such Insurance Consultant in connection therewith. The cost of all insurance obtained pursuant to the requirements of this Section shall be paid as an Operation and Maintenance Expense out of the Revenues of the System.

Application of Insurance Proceeds. (a) If any useful portion of the System shall be damaged or destroyed, the City shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the City. The proceeds of insurance covering such property, together with any other funds available for such purpose as the City in its sole discretion shall determine, shall be used to repair the property damaged or replace the property destroyed; provided, however, if the insurance proceeds and other funds that might be lawfully appropriated therefore are insufficient to repair or replace the damaged property, then such insurance proceeds received for the damaged or destroyed property shall be deposited to the credit of a special insurance account or fund until other funds become available which, together with funds on deposit to the credit of such special insurance account, will be sufficient to make the repairs or replacements to the property damaged or destroyed that resulted in such insurance proceeds or make other improvements to the System.

Accounts and Reports. (a) The City shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the System and each fund and account established under the Ordinance, and which, together with all other books and papers of the City, including insurance policies, relating to the System, shall upon reasonable advance notice and during regular business hours, be subject to the inspection of the Owners of an aggregate of not less than 5% in principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.

(b) Annually, promptly after the end of each Fiscal Year, the City will cause an audit to be made of the System for the preceding Fiscal Year by a certified public accountant or firm of certified public accountants to be employed for that purpose and paid from the Revenues. Said annual audit shall cover in reasonable detail the operation of the System during such Fiscal Year.

(c) Each Paying Agent shall advise the City promptly after the end of each Fiscal Year of its transactions during such Fiscal Year relating to all balances handled by it under the Ordinance.

(d) For so long as Rule 15c2-12(b) of the Securities and Exchange Commission (the “**Rule**”) is applicable, the City covenants and agrees that it will comply with and carry out all of the provisions of each undertaking entered into by it to satisfy the requirements of the Rule with respect to each Series of Bonds issued pursuant to the Ordinance. Notwithstanding any other provision of the Ordinance, failure of the City to comply with such undertaking shall not be considered an Event of Default; however, the Owner or Beneficial Owner of any Bond may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this subsection. For purposes of this subsection, “**Beneficial Owner**” means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

Amendment of Ordinance.

(a) (1) Unless such modifications or amendments are permitted under subsection (b) below, the Ordinance and the rights and obligations of the City, the Owners and any Fiduciary may only be modified or amended from time to time and at any time by filing with each Fiduciary a Supplemental Ordinance adopted by the City with the written consent of the Owners of a majority in aggregate amount of Bond Obligation of the Bonds (or, if such Supplemental Ordinance is only applicable to a Series of Bonds, the Bonds of that Series) then Outstanding; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding.

(2) No such modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the amount of Bond Obligation thereof, or extend the time of payment or reduce the amount of any Sinking Fund Installment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Owner of each Bond so affected, (2) reduce the aforesaid percentage of Bond Obligation the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Net Revenues and other assets pledged under the Ordinance prior to or on a parity with the lien created by the Ordinance, or deprive the Owners of the Bonds of the lien created by the Ordinance on such Net Revenues and other assets (in each case, except as expressly provided in the Ordinance), without the consent of the Owners of all of the Bonds then Outstanding, or (3) modify any rights or duties of any Fiduciary without its consent.

(3) It shall not be necessary for the consent of the Owners to approve the particular form of any Supplemental Ordinance, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the adoption by the City of any Supplemental Ordinance pursuant to this subsection (1), the Registrar shall mail a notice provided by the Ordinance, setting forth in general terms the substance of such Supplemental Ordinance to the Owners of the Bonds at the addresses shown on the registration books of the

Registrar. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Ordinance.

(4) If within one year from the date of the mailing by the Registrar of written notice to the Owners of the Bonds, the City shall receive an instrument or instruments executed by the Owners of at least a majority in aggregate amount of the Bond Obligation consenting to and approving such amendment in substantially the form of the copy thereof on file with each Registrar, as the case may be, for the Bonds, the governing body of the City may pass the supplemental Ordinance in substantially the same form.

(5) Any consent given by the Owner of a Bond pursuant to the provisions of the Ordinance shall be irrevocable for a period of six months from the date for measuring the one year period to obtain consents noted in paragraph (4) above, and shall be conclusive and binding upon all future owners of the same Bond during such period. At any time after six months from the date for measuring the one year period to obtain consents noted in paragraph (4) above, such consent may be revoked by the Owner who gave such consent, or by a successor in title, by filing written notice thereof with the Registrar, as the case may be, for such Bond and the City, but such revocation shall not be effective if the Owners of at least a majority in aggregate amount of the then Outstanding Bond Obligation as determined in accordance with this Section have, prior to the attempted revocation, consented to and approved the amendment.

(b) The Ordinance and the rights and obligations of the City, of each Fiduciary and of the Owners may also be modified or amended from time to time at any time by a Series Ordinance or a Supplemental Ordinance, which the City may adopt without the consent of any Owners but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the City in the Ordinance thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved in the Ordinance to or conferred upon the City, in each case which shall not materially and adversely affect the interests of the Owners in the determination of the City;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Ordinance, or in regard to matters or questions arising under the Ordinance, as the City may deem necessary or desirable, and which shall not materially and adversely affect the interests of the Owners in the determination of the City;

(3) to modify, amend or supplement the Ordinance in such manner as to permit the qualification of the Ordinance under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially and adversely affect the interests of the Owners;

(4) to provide for the issuance of a Series of Bonds in a Series Ordinance with such interest rate, payment, maturity and other terms as the City may deem desirable subject to the provisions of the Ordinance;

(5) if the City has covenanted in a Series Ordinance to maintain the exclusion of interest on a Series of Bonds from gross income for purposes of federal income taxation, to make such provisions as are necessary or appropriate to ensure such exclusion;

(6) to modify any of the provisions of the Ordinance in any other respect whatsoever, provided that (A) such modification shall be, and be expressed to be, effective only after all Bonds of each Series Outstanding at the date of the adoption of such Series or Supplemental Ordinance shall cease to be Outstanding, and (B) such Series or Supplemental Ordinance shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Series Ordinance and of Bonds issued in exchange therefor or in place thereof;

(7) to authorize Subordinated Indebtedness and, in connection therewith, specify and determine any matters and things relative to such Subordinated Indebtedness which are not contrary to or inconsistent with the Ordinance as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Subordinated Indebtedness;

(8) to authorize the establishment such funds or accounts as the City may determine to be necessary, desirable, advisable or in the best interests of the City, and, in connection therewith, to specify and determine the matters and things referred to the Ordinance or to modify any such matters and things in any other respect whatsoever; or

(9) for any other purpose which, in the determination of the City, does not materially and adversely affect the interests of the Owners of any of the Bonds.

In making any determination that any modification or amendment does not materially and adversely affect the interest of the Owners, the City may rely on an opinion of counsel which may be counsel to the City or bond counsel.

Defeasance.

Except as may be provided in any Series Ordinance creating a Series of Bonds, Bonds of any Series may be paid by the City in any of the following ways:

(a) by paying or causing to be paid the Bond Obligation of and interest on all Bonds Outstanding of the Series, as and when the same become due and payable;

(b) by depositing with the Paying Agent, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Ordinance) to pay or redeem all Bonds Outstanding of the Series; or

(c) by delivering to the Paying Agent, for cancellation by it, all Bonds then Outstanding of the Series.

Upon the deposit with the Paying Agent, an escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Ordinance) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, irrevocable notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Registrar and Paying Agent shall have been made for the giving of such notice, then all liability of the City in respect of such Bond shall cease, terminate and be completely discharged; provided that the Owner thereof shall thereafter be entitled to the payment of the principal of and premium, if any, and interest on such Bond, and the City shall remain liable for such payment, but only out of such money or securities deposited as aforesaid for their payment, subject, however, to the provisions of the Ordinance and the continuing duties of the Paying Agent and Registrar.

Whenever in the Ordinance it is provided or permitted that there be deposited with or held in trust by the Paying Agent, an escrow agent or other fiduciary, money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Paying Agent in the funds and accounts established pursuant to the Ordinance and shall be one or more of the following:

(a) lawful money of the United States of America in an amount equal to the Bond Obligation of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provision satisfactory to each Fiduciary shall have been made for the giving of such notice, the amount to be deposited or held shall be the Bond Obligation or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(b) Federal Securities or Municipal Obligations which are non-callable by the issuer, the principal of and interest on which when due will, in the opinion of an independent certified public accountant delivered to the Paying Agent for which payment is being made (upon which opinion the Paying Agent may conclusively rely), provide money sufficient to pay the Bond Obligation or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such Bond Obligation or Redemption Price and interest become due; provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV of the Ordinance or provision satisfactory to the shall have been made for the giving of such notice;

provided, in each case, that the Paying Agent shall have been irrevocably instructed (by the terms of the Ordinance or by Request of the City) to apply such money to the payment of such Bond Obligation or Redemption Price and interest with respect to such Bonds.

Events of Default; Remedies.

Events of Default. Each of the following events shall be an “**Event of Default:**”

(a) Default by the City in the due and punctual payment of the principal, Accreted Value or Appreciated Value of, or premium, if any, on any Bond (whether at maturity, by acceleration, call for redemption or otherwise);

(b) Default by the City in the due and punctual payment of the interest on any Bond and such default shall continue for a period of thirty (30) days after the due date for the payment of such interest;

(c) Failure of the City to observe and perform any of its other covenants, conditions or agreements under the Ordinance or in the Bonds for a period of 90 days after written notice from the Owners of 25 percent in aggregate amount of Bond Obligation of the Bonds then outstanding, specifying such failure and requesting that it be remedied, or in the case of any such default that cannot with due diligence be cured within such 90 day period, failure of the City to proceed promptly to cure the same and thereafter prosecute the curing of such default with due diligence;

(d) (1) Failure of the City generally to pay its debts as the same become due, (2) commencement by the City of a voluntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or state bankruptcy, insolvency or other similar law, (3) consent by the City to the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official for the City, the System or any substantial part of the City’s property, or to the taking possession by any such official of the System or any substantial part of the City’s property, (4) making by the City of any assignment for the benefit of creditors, or (5) taking of corporate action by the City in furtherance of any of the foregoing;

(e) The entry of any (1) decree or order for relief by a court having jurisdiction over the City or its property in an involuntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or state bankruptcy, insolvency or other similar law, (2) appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or similar official for the City, the System or any substantial part of the City’s property, or (3) order for the termination or liquidation of the City, the System or the affairs of any of them; or

(f) Failure of the City within 90 days after the commencement of any proceedings against it under the Federal bankruptcy laws prior any other applicable Federal or state bankruptcy, insolvency or similar law, to have such proceedings dismissed or stayed.

The provisions of subsection (c) above are subject to the limitation that if by reason of force majeure the City is unable in whole or in part to observe and perform any of its covenants, conditions or agreements under the Ordinance, the City shall not be deemed in default during the continuance of such disability. The term “force majeure” as used in the Ordinance shall include without limitation acts of God, strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States of America or of the State or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; storms; floods; washouts; droughts; arrests; restraint

of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the City. The City shall, however, remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements, provided that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the City, and the City shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties.

Enforcement of Remedies. Upon the happening and continuance of any Event of Default, then and in every such case the Owners of not less than twenty-five percent (25%) of the Bond Obligation may appoint any state bank, national bank, trust company or national banking association qualified to transact business in the State of Nebraska to serve as trustee for the benefit of the Owners of all Bonds then outstanding (the “Receiver”). Notice of such appointment, together with evidence of the requisite signatures of the Owners of twenty-five percent (25%) of the Bond Obligation and the trust instrument under which the Receiver shall have agreed to serve shall be filed with the City with a copy to the Receiver and notice of such appointment shall be mailed to the Owners of the Bonds. After the appointment of a Receiver under the Ordinance, no further Receivers may be appointed; however, the Owners of a majority of the Bond Obligation may remove the Receiver initially appointed and appoint a successor and subsequent successors at any time. If the default for which the Receiver was appointed is cured or waived pursuant to the Ordinance, the appointment of the Receiver shall terminate with respect to such default.

After a Receiver has been appointed pursuant to the foregoing, the Receiver may proceed, and upon the written request of Owners of twenty-five percent (25%) of the Bond Obligation shall proceed, to protect and enforce the rights of the Owners under the laws of the State of Nebraska, including the Act, and under the Ordinance, by such suits, actions or special proceedings in equity or at law, or by regulatory or administrative proceedings in the office of any board, body or officer having jurisdiction, either for the specific performance of any covenant or agreement contained in the Ordinance or in aid of execution of any power granted in the Ordinance or for the enforcement of any proper legal or equitable remedy, all as the Receiver, being advised by counsel, shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy against the City, under the Ordinance the Receiver shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the or the City, for principal, interest or other sums due under any provisions of the Ordinance or of such Bonds and unpaid, with interest on overdue payments of principal and, if permitted by law, at the rate or rates of interest specified in such Bonds, together with any and all reasonable costs and expenses of collection and of all proceedings under the Ordinance and under such Bonds without prejudice to any other right or remedy of the Receiver or of the Owners, and to recover and enforce any judgment or decree against the City, but solely as provided in the Ordinance and in such Bonds, for any portion of such amounts remaining unpaid and interest, costs and expenses as above provided, and to collect (but solely from moneys in the Sanitary Sewer Revenue Fund and any other moneys available for such purpose) in any manner provided by law, the moneys adjudged or decreed to be payable.

Effect of Discontinuing Proceedings. In case any proceeding taken by the Receiver or any Owner on account of any default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Receiver or such Owner, then and in every such case the City and the Owners shall be restored to their former positions and rights under the Ordinance, respectively, and all rights, remedies and powers of the Receiver shall continue as though no such proceeding had been taken.

Directions to Receiver as to Remedial Proceedings. Anything in the Ordinance to the contrary notwithstanding, the Owners of a majority of the Bond Obligation shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Receiver, to direct the method and place of conducting all remedial proceedings to be taken by the Receiver under the Ordinance, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Ordinance, and that the Receiver shall have the right to decline to follow any such direction which in the opinion of the Receiver would be unjustly prejudicial to Owners not parties to such direction.

Pro Rata Application of Funds. (a) Anything in the Ordinance to the contrary notwithstanding, if at any time the moneys in the Sanitary Sewer Revenue Fund, shall not be sufficient to pay the principal Accreted Value,

Appreciated Value or Redemption Price of or the interest on the Bonds as the same become due and payable, such moneys, together with any moneys then available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in the Ordinance or otherwise, shall be applied as follows:

(1) Unless the principal of all the Bonds shall have become due and payable, all such moneys shall be applied (A) to the payment of all installments of interest then due on the Bonds then due, in the order of the maturity of the installments of such interest, to the persons entitled thereto, ratable, without any discrimination or preference, and (B) to the payment of all installments of principal of Bonds then due.

(2) If the principal of all the Bonds shall have become due and payable, all such moneys shall be applied to the payment of the principal Accreted Value, Appreciated Value or Redemption Price or interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bonds over any other Bonds, ratable, according to the amounts due, respectively, for principal or interest to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

(b) Whenever moneys are to be applied by the Receiver pursuant to the provisions stated above, such moneys shall be applied by the Receiver at such times, and from time to time, as the Receiver in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future; the setting aside of such moneys, in trust for the proper purpose, shall constitute proper application by the Receiver; and the Receiver shall incur no liability whatsoever to the City, to any Owner or to any other person for any delay in applying any such moneys, so long as the Receiver acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Ordinance as may be applicable at the time of application by the Receiver. Whenever the receiver shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an interest payment date unless the Receiver shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue, the Accreted Value of Capital Appreciation Bonds shall cease to accrete and the Appreciated Value of any Deferred Income Bond. The Receiver shall give such notice as it may deem appropriate of the fixing of any such date, and shall not be required to make payment to the Owner of any Bond unless such Bond shall be presented to the Receiver for appropriate endorsement or for cancellation if fully paid.

Restrictions on Actions by Individual Owners. No Owner shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Ordinance or for any other remedy thereunder unless such Owner previously shall have given to the Receiver written notice of the event of default on account of which such suit, action or proceeding is to be taken, and unless the Owner of not less than twenty-five percent (25%) of the Bond Obligation shall have made written request of the Receiver after the right to exercise such powers or right of action, as the case may be, shall have accrued and shall have afforded the Receiver a reasonable opportunity either to proceed to exercise the powers granted in the Ordinance or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Receiver reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, including the reasonable fees of its attorneys (including fees on appeal), and the Receiver shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Receiver, to be conditions precedent to the execution of the powers and trusts of the Ordinance or for any other remedy under the Ordinance. It is understood and intended that no one or more Owners of the Bonds secured by the Ordinance shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Ordinance, or to enforce any right thereunder, except in the manner provided in the Ordinance, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all Owners, and that any individual rights of action or any other right given to one or more of such Owners by law are restricted by the Ordinance to the rights and remedies provided in the Ordinance.

Nothing contained herein, however, shall affect or impair the right of any Owner individually, to enforce the payment of the principal of and interest on his Bond or Bonds at and after the maturity thereof, at the time, place, from the source and in the manner provided in the Ordinance.

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This **CONTINUING DISCLOSURE UNDERTAKING** dated October 27, 2022 (the “**Disclosure Undertaking**”), is executed and delivered by **THE CITY OF LINCOLN, NEBRASKA** (the “**Issuer**”).

RECITALS

1. This Disclosure Undertaking is executed and delivered by the Issuer in connection with the issuance by the Issuer of **\$36,645,000 Sanitary Sewer Revenue Bonds, Series 2022** (the “**Bonds**”), pursuant to an ordinance passed on September 26, 2022, by the governing body of the Issuer and approved by the Mayor on September 29, 2022 (the “**Ordinance**”).

2. The Issuer is entering into this Disclosure Undertaking for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission (the “**Rule**”). The Issuer is the only “**obligated person**” with responsibility for continuing disclosure hereunder.

In consideration of the mutual covenants and agreements herein, the Issuer covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Ordinance, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“**Annual Report**” means any Annual Report filed by the Issuer pursuant to, and as described in, **Section 2** of this Disclosure Undertaking.

“**Beneficial Owner**” means any registered owner of any Bonds and any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“**Business Day**” means a day other than (a) a Saturday, Sunday, or legal holiday, (b) a day on which banks located in the city in which the designated payment office of the paying agent for the Bonds is located is required or authorized by law to remain closed, or a day on which the Securities Depository or the New York Stock Exchange is closed.

“**EMMA**” means the Electronic Municipal Market Access system for municipal securities disclosures established and maintained by the MSRB, which can be accessed at www.emma.msrb.org.

“**Financial Obligation**” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) in this definition; *provided however*, the term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means the **12-month** period beginning on **September 1** and ending on **August 31** or any other **12-month** period selected by the Issuer as the Fiscal Year of the Issuer for financial reporting purposes.

“Material Events” means any of the events listed in **Section 3** of this Disclosure Undertaking.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor repository designated as such by the Securities and Exchange Commission in accordance with the Rule.

“Participating Underwriter” means any of the original underwriter(s) of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

Section 2. Provision of Annual Reports.

(a) The Issuer shall not later than **May 1 of each year**, commencing May 1, 2023, file with the MSRB, through EMMA, the following financial information and operating data (the **“Annual Report”**):

(1) The audited financial statements of the Issuer, including the sanitary sewer system, for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles. If audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the Bonds, and the audited financial statements shall be filed in the same manner as the Annual Report promptly after they become available.

(2) Updates as of the end of the Fiscal Year of the financial information and operating data relating to the Issuer contained in APPENDIX A to the final Official Statement related to the Bonds, in substantially the same format contained in the Official Statement.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Issuer is an **“obligated person”** (as defined by the Rule), which have been filed with the MSRB and is available through EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB on EMMA. The Issuer shall clearly identify each such other document so included by reference.

In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Section; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Material Event under **Section 3**.

(b) In addition to the foregoing requirements of this Section, the Issuer agrees to provide copies of the most recent Annual Report to any requesting Beneficial Owner or prospective Beneficial Owner, but only after the same has been filed with the MSRB.

Section 3. Reporting of Material Events. No later than 10 business days after the occurrence of any of the following events, the Issuer shall give, or cause to be given to the MSRB, through EMMA, notice of the occurrence of any of the following events with respect to the Bonds (“**Material Events**”):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions; the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of bondholders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Issuer;
- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material;
- (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

If the Issuer has not submitted the Annual Report to the MSRB by the date required in **Section 2(a)**, the Issuer shall send a notice to the MSRB of the failure of the Issuer to file on a timely basis the Annual Report, which notice shall be given by the Issuer in accordance with this **Section 3**.

Section 4. Termination of Reporting Obligation. The Issuer’s obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the Issuer’s obligations under this Disclosure Undertaking are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Undertaking in the same manner as if it were the Issuer, and the Issuer shall have no further responsibility hereunder. If such

termination or substitution occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination or substitution in the same manner as for a Material Event under **Section 3**.

Section 5. Dissemination Agents. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign as dissemination agent hereunder at any time upon **30** days prior written notice to the Issuer. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report (including, without limitation, the Annual Report) prepared by the Issuer pursuant to this Disclosure Undertaking.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking and any provision of this Disclosure Undertaking may be waived, provided that Bond Counsel or other counsel experienced in federal securities law matters provides the Issuer with its written opinion that the undertaking of the Issuer contained herein, as so amended or after giving effect to such waiver, is in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to this Disclosure Undertaking.

If a provision of this Disclosure Undertaking is amended or waived, the Issuer shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Material Event under **Section 3**, and (2) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 7. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is specifically required by this Disclosure Undertaking, the Issuer shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 8. Default. If the Issuer fails to comply with any provision of this Disclosure Undertaking, any Participating Underwriter or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an event of default under the Ordinance or the Bonds, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

Section 9. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriter, and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 10. Severability. If any provision in this Disclosure Undertaking, the Ordinance or the Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 11. Electronic Transactions. The arrangement described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 12. Governing Law. This Disclosure Undertaking shall be governed by and construed in accordance with the laws of the State of Nebraska.

[The remainder of this page intentionally left blank.]

APPENDIX E

BOOK-ENTRY SYSTEM

BOOK-ENTRY SYSTEM

The Depository Trust Company, New York, NY, will act as securities depository for the Series 2022 Bonds. The Series 2022 Bonds will be issued as fully registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2022 Bond will be issued for each maturity of the Series 2022 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. Bonds brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2022 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2022 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2022 Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2022 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2022 Bonds, except in the event that use of the book-entry system for the Series 2022 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2022 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2022 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2022 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2022 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2022 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2022 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Series 2022 Bonds may wish to ascertain that the nominee holding the Series 2022 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2022 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2022 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2022 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2022 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City, or the Bond Fund Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Series 2022 Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the City, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Bond Fund Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2022 Bonds at any time by giving reasonable notice to the City or the Registrar and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC, and neither the City nor the Underwriter takes responsibility for the accuracy thereof, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

APPENDIX F

FORM OF BOND COUNSEL OPINION

[CLOSING DATE]

City of Lincoln, Nebraska
Lincoln, Nebraska

KeyBanc Capital Markets
Cleveland, Ohio

Re: \$36,645,000 The City of Lincoln, Nebraska, Sanitary Sewer Revenue Bonds, Series 2022

Ladies and Gentlemen:

We have acted as bond counsel to The City of Lincoln, Nebraska (the “Issuer”), in connection with the issuance of the above-captioned bonds (the “Bonds”). In this capacity, we have examined the law and the certified proceedings, certifications and other documents that we deem necessary to render this opinion.

The Bonds are issued pursuant to Ordinance No. 18171 adopted by the Issuer on May 5, 2003, as amended and supplemented by Ordinance No. 21351 passed by the Council on September 26, 2022 and approved by the Mayor on September 29, 2022 (collectively, the “Ordinance”). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Ordinance.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify them by independent investigation.

Based upon and subject to the foregoing, we are of the opinion, under existing law, as follows:

1. The Issuer is validly existing as a political subdivision of the State of Nebraska (the “State”) with the power to adopt the Ordinance, perform the agreements on its part contained therein, and issue the Bonds.
2. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and legally binding special obligations of the Issuer.
3. The Bonds are payable solely from the net income and revenues derived by the Issuer from the operation of the Issuer’s sanitary sewer system, after providing for the costs of operation and maintenance thereof. The Bonds do not constitute general obligations of the Issuer and they do not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision, limitation or restriction. The taxing power of the Issuer is not pledged to the payment of the Bonds.

4. The Ordinance has been duly adopted by the Issuer and constitutes a valid and legally binding obligation of the Issuer enforceable against the Issuer. The Ordinance creates a valid lien on the revenues and other funds pledged by the Ordinance for the security of the Bonds on a parity with all other sanitary sewer revenue bonds issued or to be issued on a parity with the Bonds as provided in the Ordinance.

5. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) (i) is excludable from gross income for federal income tax purposes, (ii) is exempt from income taxation by the State of Nebraska, and (iii) is not an item of tax preference for purposes of computing the federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the Issuer complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Bonds have not been designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

We express no opinion regarding the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds. Further, we express no opinion regarding the perfection or priority of the lien on revenues or other funds pledged under the Ordinance or tax consequences arising with respect to the Bonds other than as expressly set forth in this opinion.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Ordinance may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

This opinion is given as of its date, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law that may occur after the date of this opinion.

Very truly yours,