

# **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 Bowers .....Chair

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. Garden .....Assistant Director of Transportation and Utilities

# **Lincoln Wastewater System**

**August 31, 2021 and 2020**

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## **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

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## **LINCOLN WASTEWATER SYSTEM**

### **Management's Discussion and Analysis**

This Management's Discussion and Analysis of the Lincoln Wastewater System's (the "System") financial performance provides an overview of the financial activities for the years ended August 31, 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. 27<sup>th</sup>/56<sup>th</sup> (\$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 10<sup>th</sup> Street, Lincoln, NE 68508.

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

**Statements of Net Position**

**August 31, 2021 and 2020**

<b>Assets and Deferred Outflows of Resources</b>	<b>2021</b>	<b>2020</b>
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
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
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**

	<b>2021</b>	<b>2020</b>
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**

	<b>2021</b>	<b>2020</b>
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

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#### **(1) Organization and Summary of Significant Accounting Policies**

##### ***Organization and Nature of Operations***

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

##### ***Measurement Focus and Basis of Accounting***

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

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

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

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

##### ***Accounts Receivable and Unbilled Revenues***

Wastewater revenues are recorded based on the related period of customer usage. Billings for wastewater revenues are rendered on a cycle basis bi-monthly. Unbilled revenues, representing estimated consumer usage for the period between the last billing date and the end of the period, are accrued in the period of consumption. Management does not believe an allowance for doubtful accounts is necessary at August 31, 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

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

##### ***Deposits and Investments***

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

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

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

##### ***Capital Contributions***

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

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

Impact Fees are charges levied against new construction, changes in land use, or an increase in water meter size to help generate revenue to build new infrastructure needed because of development. Impact fees collected are recognized as revenue as 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

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#### (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

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#### (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

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## (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

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#### (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

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#### (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

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

The City has pledged future revenues derived from the operation of the System, net of operating and maintenance expenses, to repay all outstanding wastewater revenue bonds. Proceeds from the bonds and loans provided financing for improvements to the sanitary sewer system. The bonds and loans are payable solely from the net earnings of the System and are payable through 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

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#### **(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

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#### **(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)

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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><b>USAGE</b></u> (HCF)	<u><b>AMOUNT</b></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 <sup>st</sup> Party/3 <sup>rd</sup> 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

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

#### AUTOMOBILE INSURANCE

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

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

#### PROPERTY INSURANCE

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

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

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

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

#### GENERAL LIABILITY

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

#### PUBLIC EMPLOYEES BLANKET BOND

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

#### PUBLIC OFFICIALS LIABILITY (Claims-made)

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

#### WORKERS' COMPENSATION

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

#### CYBER INSURANCE

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