

**NEW ISSUE –FULL BOOK ENTRY
NOT BANK QUALIFIED**

**RATINGS: Moody's: "Aaa"
S&P: "AAA"
See "RATINGS"**

In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), (1) the interest on the Bonds 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 imposed on individuals and corporations, (2) the interest on the Bonds is exempt from income taxation by the State of Nebraska and (3) the Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See "TAX MATTERS" in this Official Statement.

**OFFICIAL STATEMENT
\$5,720,000
THE CITY OF LINCOLN, NEBRASKA
GENERAL OBLIGATION STORM SEWER AND DRAINAGE
SYSTEM REFUNDING BONDS
SERIES 2015**

Dated: date of delivery

Due: June 1, as shown below

The 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 Bonds. Purchases of the Bonds will be originally made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through, DTC participants. Beneficial owners of the 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 Bonds. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal or redemption price of and interest on the Bonds will be made directly to DTC. Interest is payable on June 1 and December 1 of each year, beginning December 1, 2015. 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. BOKF, National Association, Lincoln, Nebraska, is bond registrar and paying agent for the 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 BONDS - Book-Entry System."

The Bonds are being issued to provide a portion of the funds necessary to provide for (a) the refunding and payment of \$6,340,000 outstanding principal amount of the City's General Obligation Storm Sewer and Drainage System Bonds, Series 2005, dated June 15, 2005 (the "Refunded Bonds"), through and including June 1, 2015 (the "Redemption Date") and (b) the payment of certain costs of issuing the Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The full faith and credit of the City is pledged to the prompt payment of the principal or redemption price of and interest on the Bonds. The Bonds are payable from ad valorem taxes, unlimited as to rate and amount, levied by the City against all taxable property in the City. See "SECURITY" and "NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION."

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 Bonds are not subject to optional redemption prior to maturity thereof. See "THE BONDS - Optional Redemption."

MATURITY SCHEDULE

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>			<u>CUSIP</u>
<u>June 1,</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>(534239)</u>
2016	\$510,000	1.0%	0.300%	100.760%	BY3
2017	525,000	2.0	0.640	102.817	BZ0
2018	540,000	2.0	0.920	103.281	CA4
2019	555,000	2.0	1.160	103.344	CB2
2020	565,000	2.0	1.340	103.235	CC0
2021	575,000	2.0	1.520	102.780	CD8
2022	590,000	2.0	1.710	101.927	CE6
2023	600,000	3.0	1.850	108.601	CF3
2024	620,000	3.0	1.980	108.445	CG1
2025	640,000	5.0	2.100	126.240	CH9

The Bonds are offered when, as, and if issued, subject to the approval of legality by Gilmore & Bell, P.C., Lincoln, Nebraska, Bond Counsel. It is expected that the Bonds will be available for delivery through DTC on or about April 29, 2015.

AMERITAS INVESTMENT CORP.

The date of this Official Statement is April 15, 2015

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

Christopher J. Beutler, Mayor

City Council Members

Doug Emery (Chair)

Jon Camp
Jonathan Cook
Roy Christensen

Carl Eskridge
Trent Fellers
Leirion Gaylor Baird

City Department Heads

Steve Hubka Interim Finance Director
Jeffery R. Kirkpatrick City Attorney
David Cary Acting Planning Director
Lynn Johnson Parks and Recreation Director
Kevin Wailes LES Administrator and CEO
David Landis Urban Development Director
Pat Leach Library Director
Miki Esposito Public Works and Utilities Director
Thomas Casady Public Safety Director
Judith A. Halstead, MS Health Director
Douglas J. McDaniel Personnel Director
Chad Blahak Building and Safety Director
Jim Peschong Police Chief
John Huff Fire Chief

Peggy Tharnish, City Controller

Underwriter

Ameritas Investment Corp.
Lincoln, Nebraska

Bond Counsel

Gilmore & Bell, P.C.
Lincoln, Nebraska

Paying Agent And Registrar

BOKF, National Association
Lincoln, Nebraska

Independent Auditors

BKD, LLP
Lincoln, Nebraska

No broker, dealer, sales representative or other person has been authorized by the City or the Underwriter to give any information or to make any representations, 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 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 obtained from the City and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter. The Underwriter has provided the following sentence for inclusion in this Official Statement: "The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information." 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 circumstance, create any implication that there has been no change in the affairs of the City since the date hereof.

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THIS OFFICIAL STATEMENT IS NOT, AND MAY NOT BE CONSTRUED AS, A CONTRACT WITH THE PURCHASERS OF THE BONDS. STATEMENTS CONTAINED IN THE OFFICIAL STATEMENT WHICH INVOLVE ESTIMATES, FORECASTS, OR MATTERS OF OPINION, WHETHER OR NOT EXPRESSLY SO DESCRIBED HEREIN, ARE INTENDED SOLELY AS SUCH AND ARE NOT TO BE CONSTRUED AS A REPRESENTATION OF FACTS.

THE UNDERWRITER INTENDS TO OFFER THE BONDS INITIALLY AT THE OFFERING PRICES SET FORTH ON THE COVER PAGE OF THIS OFFICIAL STATEMENT, WHICH MAY SUBSEQUENTLY CHANGE WITHOUT ANY REQUIREMENT OF PRIOR NOTICE. IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, AND SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT.

OFFICIAL STATEMENT

\$5,720,000

THE CITY OF LINCOLN, NEBRASKA GENERAL OBLIGATION STORM SEWER AND DRAINAGE SYSTEM REFUNDING BONDS SERIES 2015

INTRODUCTION

This Official Statement, including the preceding pages and appendices hereto, is furnished by The City of Lincoln, Nebraska (the “**City**”), a home rule city of the primary class and political subdivision of the State of Nebraska (the “**State**”), to provide information about the City and the its \$5,720,000 General Obligation Storm Sewer and Drainage System Refunding Bonds, Series 2015 (the “**Bonds**”). BOKF, National Association, Lincoln, Nebraska is bond registrar and paying agent for the Bonds (the “**Registrar**”).

Descriptions of and references to the Bonds, the Bond Ordinance (defined herein), 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 such documents are available for inspection at the office of Ameritas Investment Corp., Lincoln, Nebraska, as underwriter of the Bonds.

AUTHORITY

The City is issuing the Bonds under the authority of Sections 15-244 and 18-506, Reissue Revised Statutes of Nebraska, as amended, Article IX, Sections 39 to 43, inclusive, of the Home Rule Charter of the City, and Ordinance No. 20161 duly passed by the Council on March 2, 2015 and approved by the Mayor on March 5, 2015 (the “**Bond Ordinance**”) authorizing the issuance of general obligation bonds of the City in an amount not to exceed \$6,300,000 and paying costs of issuance. The Bonds are being issued for the purpose of providing for the payment and redemption of \$6,340,000 outstanding principal amount of the City’s General Obligation Storm Sewer and Drainage System Bonds, Series 2005, dated June 15, 2005 (the “**Refunded Bonds**”), which issue was approved by a majority of the qualified electors in the City voting on the proposition at an election held on May 3, 2005.

SECURITY

The full faith and credit of the City has been pledged to the payment of the principal or redemption price of and interest on the Bonds. The City has the power and is obligated to levy ad valorem taxes without limitation as to rate or amount upon all property subject to taxation by the City sufficient to pay the principal or redemption price of and interest on the Bonds, which taxes shall be in excess of and in addition to all other taxes now or hereafter authorized to be levied by the City. See “**NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION.**”

Among other factors affecting an investment in the Bonds, potential investors should be aware that 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 Bonds. In the event the City becomes insolvent, the registered owners of the Bonds would be treated as general creditors of the City along with all other unsecured claimants. The extent to which the exception from limitations upon overall tax rates provided for in existing legislation might entitle registered owners of the Bonds to be treated as a separate class or otherwise given priority over other unsecured claimants is a matter that would be subject to future determinations of state and federal courts interpreting and applying both state law and the provisions of 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.

NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION

The Nebraska Legislature (the “**Legislature**”) has enacted legislation intended to reduce the level of expenditures and property taxes by political subdivisions in the State. Sections 13-518 to 13-522, inclusive, Reissue Revised Statutes of Nebraska, as amended, and related sections (collectively, the “**Budget Limitations**”), limit the increase of certain restricted funds that may be budgeted by governmental units such as the City. Such restricted funds include property taxes, sales taxes and other funding sources comprising approximately 75% of funding sources used to fund the City’s tax supported budget, but exclude restricted funds pledged to retire bonded indebtedness. The Budget Limitations currently provide for a base limitation of 2.5% upon increases plus the percentage increase in the property tax provided by new construction, improvements to existing property, annexations and new personal property added to the property tax base. The base limitation is subject to review by the Legislature from year to year and may be exceeded by an additional 1% upon an affirmative vote of at least 75% of the governing body. The Budget Limitations are enforced through the office of the Auditor of Public Accounts of the State and State aid may be withheld from governmental units that fail to comply. The Budget Limitations do not apply to the revenues of proprietary funds except to the extent such revenues are used for general fund purposes.

For the 2013-2014 fiscal year, the City was permitted to increase its appropriation of restricted funds under the Budget Limitations by 2.5%. Unused restricted fund authority from prior years can be carried over into future fiscal years to use in addition to the annual increases allowed. As of August 31, 2014, the City had accumulated \$8,241,531 of unused restricted funds authority which would be available for future fiscal years.

The Legislature has also enacted Section 77-3442, Reissue Revised Statutes of Nebraska, as amended, and related sections (collectively, the “**Levy Limitations**”), to provide overall limitations on the property tax levies of political subdivisions, including the City. The Levy Limitations expressly exclude any property taxes levied for bonded indebtedness. The maximum levy for the City is presently set at 45¢ per \$100 of taxable valuation with an additional 5¢ per \$100 of taxable valuation available to provide for the City’s share of revenue required under any agreement executed by the City with another governmental unit pursuant to the Interlocal Cooperation Act or the Joint Public Agency Act. The City’s current levy (excluding its bond levy) is 28.338¢ per \$100 of taxable valuation on all the taxable property within the City.

Ad valorem taxes levied to pay debt service on the Bonds are not subject to either the Budget Limitations or the Levy Limitations. The City is authorized to levy ad valorem taxes without limitation as to rate or amount upon all of the taxable property in the City sufficient to pay the principal or redemption price of and interest on the Bonds, which taxes may be in excess of and in addition to all other taxes now or hereafter authorized to be levied by the City. The authority of the City to levy such taxes with respect to the Bonds is not subject to any charter, statutory or constitutional limitations.

Future legislation, decisions of the Nebraska Supreme Court, or initiative petitions proposed and passed by qualified voters in the State may alter the Budget Limitations and the Levy Limitations, or may otherwise modify the sources of and limitations on the revenues used by governmental units in the State to finance their activities.

PLAN OF REFUNDING

On the date of issuance of the Bonds, a portion of the net proceeds thereof, together with certain other funds held by the City with respect to the Refunded Bonds will be deposited into an escrow account (the “**Escrow Account**”) to be held under an Escrow Agreement, dated April 29, 2015 (the “**Escrow Agreement**”) between the City and BOKF, National Association (the “**Escrow Agent**”). The City is using a portion of the Bond proceeds to provide for the payment and redemption of the City’s \$6,340,000 outstanding principal amount of General Obligation Storm Sewer and Drainage System Bonds, Series 2005. Such deposit will be held in the Escrow Account and shall provide funds which will be sufficient to pay when due the principal amount or redemption price of and all interest due on the Refunded Bonds through and including the Redemption Date and to redeem on the Redemption Date all of the then outstanding Refunded Bonds.

After the issuance of the Bonds and the deposit of the proceeds thereof and other moneys with the Escrow Agent pursuant to the Escrow Agreement, the Refunded Bonds will be payable from such deposit held for such purpose by the Escrow Agent. Under the Escrow Agreement the moneys held by the Escrow Agent are irrevocably pledged to the payment of the Refunded Bonds and the interest thereon and may be applied only to such payment, and the Refunded Bonds will no longer be deemed outstanding.

ESTIMATED SOURCES AND USES OF FUNDS

SOURCES OF FUNDS:

Principal Amount of Series 2015 Bonds	\$5,720,000.00
Plus Aggregate Original Issue Premium	372,474.90
Series 2005 Bond Fund	475,412.50
TOTAL SOURCES:	<u>\$6,567,887.40</u>

USES OF FUNDS:

Deposit to Refunding Escrow Account	\$6,465,618.75
Underwriter’s Discount	48,334.00
Costs of Issuance	53,934.65
TOTAL USES:	<u>\$6,567,887.40</u>

THE BONDS

General

The Bonds will be initially issued in fully registered, book-entry form, 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 on June 1 and December 1 of each year, commencing December 1, 2015, will mature on June 1 in the years and in the principal amounts, and will bear interest at the rates (calculated on the basis of a 30-day month and a 360-day year) as set forth on the cover page of this Official Statement. Each installment of interest will be payable by check or draft mailed by 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 Bond as shown on the bond registration records of the City maintained by the Registrar as of the Record Date (hereinafter defined). The principal of each Bond will be payable upon the surrender of such Bond to the Registrar. The **“Record Date”** for each installment of interest shall be the 15th day (whether a business day or not) of the calendar month 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 Bonds. The ownership of one fully registered Bond for each maturity, as set forth on the cover page 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 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 C - BOOK-ENTRY SYSTEM”** to this Official Statement.

Risk Factors. Beneficial Owners of the Bonds may experience some delay in their receipt of distributions of the principal or redemption price of and interest on the 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 Bonds can only be effected through DTC, DTC Participants and certain banks, the ability of a Beneficial Owner to pledge Bonds to persons or entities that do not participate in the Book-Entry System, or otherwise to take actions in respect of such 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 Bond Ordinance, and Beneficial Owners will be permitted to exercise the rights of registered owners only indirectly through DTC and DTC Participants.

Interchangeability and Transfer

The 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 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 Bonds is exercised, the City shall execute and the Registrar shall deliver the Bonds in accordance with the Bond Ordinance. For every such transfer or exchange of 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 Bonds during the period between a Record Date and the next succeeding interest payment date or, in the case of any proposed redemption of Bonds, after notice of the redemption of such Bonds or any portion thereof shall have been given pursuant to the Bond Ordinance.

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

Optional Redemption

The Bonds are not subject to optional redemption prior to the maturity thereof.

Notice and Effect of Call for Redemption

In the event of any redemption, the Registrar will give written notice of the City’s intention to redeem and pay such Bonds by first-class mail to the registered owner of each Bond to be redeemed, such notice to be mailed not less than 30 days prior to the redemption date. Notice of redemption having been given as stated above, the Bonds or portions of Bonds to be redeemed shall become due and payable on the redemption date, at the redemption price therein specified, and from and after the redemption date (unless the City defaults in the payment of the redemption price) such Bonds or portion of Bonds shall cease to bear interest. Failure to give notice to any particular registered owner or any defect in the notice given to such owner shall not affect the validity of the proceedings calling the Bonds or the redemption of any Bonds for which proper notice has been given. The City shall have the right to direct further notice of redemption for any Bond for which defective notice has been given. Notice of redemption may be waived in writing by the registered owner of any Bond.

So long as DTC is effecting book-entry transfers of the Bonds, the Registrar will provide the notices of 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 to be notified 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.

RATINGS

Moody’s Investors Service has assigned the Bonds the rating of “Aaa” and Standard & Poor’s, a division of The McGraw-Hill Companies, has assigned the Bonds the rating of “AAA.” Such ratings reflect only the views of such organizations, and an explanation of the significance of such ratings may be obtained from Moody’s Investors Service, 250 Greenwich Street, 23rd Floor, New York, New York 10007, telephone (212) 553-0300, and Standard & Poor’s Ratings Services, 55 Water Street, New York, New York, 10041, telephone (212) 438-2124.

Generally, rating agencies base their ratings on such information and materials and investigations, studies and assumptions furnished to and obtained and made by the rating agencies. The debt ratings are not a recommendation to purchase, sell or hold a security, inasmuch as they do not comment as to market price or suitability for a particular investor. There is no assurance that the above ratings will remain for any given period of time or that they may not be lowered, suspended or withdrawn entirely by either or both rating services if they deem circumstances are appropriate. Any downward change in, suspension or withdrawal of either or both ratings may have an adverse effect on the market price of the 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 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 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 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 Bonds.

Opinion of Bond Counsel

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

Federal and Nebraska Tax Exemption. The interest on the Bonds is excludable from gross income for federal income tax purposes and is exempt from income taxation by the State of Nebraska.

Alternative Minimum Tax. Interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Bank Qualification. The 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 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 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 Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Bonds but has reviewed the discussion under the heading “**TAX MATTERS.**”

Other Tax Consequences

Original Issue Premium. If a Bond is issued at a price that exceeds the stated redemption price at maturity of the Bond, the excess of the purchase price over the stated redemption price at maturity constitutes “premium” on that Bond. Under Section 171 of the Code, the purchaser of that Bond must amortize the premium over the term of the Bond using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner. This 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 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 Bonds. Upon the sale, exchange or retirement (including redemption) of a Bond, an owner of the 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 received on the sale, exchange or retirement of the Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Bond. To the extent a 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 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 Bonds, and to the proceeds paid on the sale of the 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 Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, 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 Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of 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 Bonds, including the possible application of state, local, foreign and other tax laws.

CONTINUING DISCLOSURE

The City is executing the Continuing Disclosure Undertaking for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission (the "**Rule**"). The City is the only "obligated person" within the meaning of the Rule with responsibility for continuing disclosure. The City believes it has complied in all material respects with its prior undertakings under the Rule in the past five years.

Annual Reports. Pursuant to the Continuing Disclosure Undertaking, the City shall, not later than **May 1** of each year, commencing May 1, 2016, provide to the Municipal Securities Rulemaking Board ("**MSRB**") the following financial information and operating data (the "**Annual Report**"):

(a) The audited financial statements of the City 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.

(b) Updates as of the end of the fiscal year of the financial information and operating data relating to the City contained in **APPENDIX A** of this Official Statement in substantially the same format contained in this Official Statement.

Material Event Notices. Pursuant to the Continuing Disclosure Undertaking, not later than 10 business days after the occurrence of any of the following events, the City shall also give, or cause a dissemination agent to give, 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 bondowners, 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 City;
- (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, 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; and
- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material.

If the City has not submitted the Annual Report to the MSRB by the date specified above, the City shall send a notice to the MSRB of the failure of the City to file the Annual Report on a timely basis, which notice shall be given by the City in accordance with the above procedures.

The City may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Continuing Disclosure Undertaking, and may discharge any such dissemination agent, with or without appointing a successor dissemination agent. The dissemination agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to the Continuing Disclosure Undertaking.

Notwithstanding any other provision of the Continuing Disclosure Undertaking, the City and any dissemination agent may amend the Continuing Disclosure Undertaking (and such dissemination agent shall agree to any amendment so requested by the City) and any provision of the Continuing Disclosure Undertaking may be waived, provided Bond Counsel or other counsel experienced in federal securities law matters provides the City and any dissemination agent with its opinion that the undertaking of the City, 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 the Continuing Disclosure Undertaking.

In the event of a failure of the City or any dissemination agent to comply with any provision of the Continuing Disclosure Undertaking, any owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or any dissemination agent, as the case may be, to comply with its obligations under the

Continuing Disclosure Undertaking. A default under the Continuing Disclosure Undertaking shall not be deemed an event of default under the Ordinance, and the sole remedy under the Continuing Disclosure Undertaking in the event of any failure of the City or any dissemination agent to comply with the Continuing Disclosure Undertaking shall be an action to compel performance.

Electronic Municipal Market Access System (EMMA). All Annual Reports and notices of Material Events required to be filed by the City or the dissemination agent 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 Bonds is incorporated by reference in this Official Statement.

UNDERWRITING

The Underwriter has agreed, subject to certain customary closing conditions, to purchase the Bonds at an aggregate purchase price of \$6,044,140.90 (equal to the par amount of the Bonds plus aggregate original issue premium in the amount of \$372,474.90 and less Underwriter's discount of \$48,334.00), and to make a public offering of the Bonds at not in excess of the public offering prices or less than the yields set forth on the front cover page of this Official Statement. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers at prices lower than such public offering prices, and such public offering prices may be changed from time to time by the Underwriter.

LITIGATION

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization or existence of the City, nor 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 Bond Ordinance pursuant to which the Bonds are being issued.

LEGAL MATTERS

All legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Gilmore & Bell, P.C., Lincoln, Nebraska, Bond Counsel. 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 as to the accuracy or sufficiency thereof except for the information under "**THE BONDS,**" "**LEGAL MATTERS**" and "**TAX MATTERS.**"

INDEPENDENT AUDITORS

The financial statements and schedules of the City for the year ended August 31, 2014, included in **“APPENDIX B – FINANCIAL STATEMENTS,”** have been audited by BKD LLP, independent auditors, as stated in their report appearing herein. The City did not request BKD LLP to perform any updating procedures subsequent to the date of its audit report on the August 31, 2014 financial statements.

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 Bonds.

This Official Statement is issued by the City.

THE CITY OF LINCOLN, NEBRASKA

APPENDIX A

THE CITY OF LINCOLN

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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 92.82 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 2014 population is 268,738.

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 6,557 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 10 minutes from downtown and has daily departures to Chicago, Denver, Minneapolis and Atlanta. Eppley Airfield, located in east Omaha, is 65 minutes 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 and local StarTran bus services.

The average commute in Lincoln is 19 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 24,207 students, Nebraska Wesleyan University, with approximately 2,065 students, Union College, with approximately 881 students, Kaplan University, with approximately 462 students, Bryan LGH College of Health Sciences with approximately 714 students, and Southeast Community College, with approximately 10,168 students and with 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 39,066 is served by 6 high schools, 11 middle schools, and 38 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

LAST TEN YEARS

FISCAL YEAR	COMMERCIAL 1 CONSTRUCTION		RESIDENTIAL 1 CONSTRUCTION		PROPERTY VALUE 2		TOTALS
	# PERMITS	VALUE	# PERMITS	VALUE	COMMERCIAL	RESIDENTIAL	
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
2011	1,320	223,215,672	2,336	155,181,140	4,477,256,519	10,648,151,681	15,125,408,200
2010	1,234	241,509,266	2,225	116,914,465	4,438,463,100	10,546,474,527	14,984,937,627
2009	1,196	199,331,086	1,794	104,316,385	4,382,749,195	10,839,440,027	15,222,189,222
2008	1,064	274,267,477	2,261	149,678,215	4,246,365,596	10,723,170,809	14,969,536,405
2007	994	293,968,408	2,820	202,786,768	4,236,340,817	10,402,515,684	14,638,856,501
2006	1,088	263,006,153	3,150	195,885,622	3,814,534,869	9,083,290,211	12,897,825,080
2005	1,092	204,677,969	3,387	277,158,200	3,694,097,147	8,727,702,573	12,421,799,720

¹ City of Lincoln, Building and Safety Department.

² Lancaster County Assessor.

Police and Fire Protection

Lincoln has fourteen fire stations manned by 282 firefighters and three police stations with 319 police officers.

City Employee Information

For the 2014-2015 fiscal year, contracts have been signed with all but two of 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 City Employees Association (CEA) 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 IAF contracts have not been negotiated and are operating under the terms of their prior year contracts. All other contracts will expire at the end of August, 2016.

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, 2014		NOVEMBER 30, 2014	
	Number Employed	Percent of Total	Number Employed	Percent of Total
Industry Manufacturing:				
Durable Goods	8,674	4.6	8,749	4.6
Nondurable Goods	5,149	2.7	5,182	2.7
Total Industry Manufacturing	13,823	7.3	13,931	7.3
Nonmanufacturing:				
Natural Resource & Construction	7,980	4.2	8,117	4.3
Transportation, Communications & Utilities	10,906	5.8	10,979	5.8
Wholesale Trade	4,111	2.2	4,082	2.1
Retail Trade	20,014	10.7	21,048	11.0
Information	2,491	1.3	2,651	1.4
Finance, Insurance & Real Estate	14,510	7.7	14,719	7.7
Services (except domestic)	73,498	39.1	74,202	38.9
Government	40,849	21.7	40,888	21.5
Total Nonmanufacturing	174,359	92.7	176,686	92.7
TOTAL	188,182	100.0	190,617	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 Square D.

As of December 2014 the unemployment rate in Lincoln was 2.7%, notably one of the lowest unemployment rates in the United States.

LINCOLN SMSA (LANCASTER COUNTY LABOR FORCE DATA 2013-2004) (For the Calendar Year Indicated)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Civilian Labor Force	167,515	165,931	162,266	160,154	159,634	160,601	157,841	156,204	156,033	156,100
Unemployment	5,898	5,993	6,587	6,818	6,944	4,837	4,365	4,308	5,603	5,470
Percent of Labor Force	3.5	3.6	4.1	4.3	4.3	3.0	2.8	2.8	3.6	3.5
Employment	161,617	159,938	155,679	153,336	152,690	155,764	153,476	151,896	150,430	150,630

STATE OF NEBRASKA

Percent of Labor Force										
Unemployment	3.9	4.0	4.5	4.7	4.7	3.3	3.0	3.0	3.9	3.9

Source: State of Nebraska, Department of Labor

* Labor Force Data for 2014 is unavailable at date of print

**LINCOLN PRINCIPAL EMPLOYERS
CURRENT YEAR**

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
State of Nebraska	8,988	1	4.95 %
Lincoln Public Schools	7,975	2	4.39
University of Nebraska-Lincoln	6,179	3	3.40
BryanLGH Medical Center	3,796	4	2.09
US Government	3,206	5	1.77
City of Lincoln	2,593	6	1.43
Saint Elizabeth Regional Medical Center	2,350	7	1.29
Burlington Northern Railroad	2,000	8	1.10
Madonna Rehabilitation Hospital	1,400	9	0.77
B&R Stores, Inc.	1,391	10	0.77
Total	39,878		21.96 %

**DEMOGRAPHIC STATISTICS
LAST TEN YEARS**

<u>Year</u>	<u>Population 1</u>	<u>Per Capita Personal Income 2</u>	<u>School Enrollment 3</u>
2014	268,738	\$	39,066
2013	265,404	42,743	37,845
2012	262,341	41,584	36,902
2011	258,379	39,018	36,530
2010	254,001	37,231	35,896
2009	251,624	36,653	34,973
2008	248,744	38,204	34,061
2007	241,167	36,624	33,466
2006	239,213	35,251	32,934
2005	238,625	33,644	32,505

Sources:

1 Lincoln/Lancaster Planning Department.

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 2014 is unavailable.

3 Lincoln Public Schools.

Median age from the 2010 census was 31.8. Education statistics per the 2010 Census indicate that 92.4% of the population 25 years and older has a high school degree or greater with 35.2% 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>
2014	81,196	96,368	131,915
2013	80,418	95,480	130,537
2012	79,698	94,592	129,163
2011	79,184	94,231	128,373
2010	78,740	93,916	129,322
2009	77,973	93,679	128,115
2008	77,532	93,419	126,978
2007	76,816	93,301	124,878
2006	75,919	92,824	123,376
2005	74,649	92,152	121,508

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
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
2011	36,622,362	69,537,057	18,335,078	21,794,585	15,811,914	21,993,415	15,088,883	26,439,462	225,622,756
2010	35,865,006	64,679,523	19,832,223	21,483,873	15,359,628	21,652,729	12,034,413	17,032,401	207,939,796
2009	34,428,477	63,984,484	16,445,304	22,449,569	11,321,242	20,349,757	9,575,670	16,990,105	195,544,608
2008	35,278,575	61,147,903	16,482,240	21,686,564	14,685,668	21,053,132	10,707,601	14,427,795	195,469,478
2007	33,946,258	60,953,651	17,430,452	21,719,544	11,670,315	20,378,863	14,877,357	11,589,720	192,566,160
2006	34,666,641	60,064,604	16,928,575	20,938,212	12,623,307	25,566,267	8,901,327	11,016,269	190,705,202
2005	32,532,685	58,669,932	17,064,845	21,669,847	14,870,592	19,126,931	8,306,921	10,562,993	182,804,746

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
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
2011	144,632,640	71,532,824	18,524,372	7,521,366	5,454,877	11,279,552	258,945,631
2010	131,562,303	61,640,301	16,432,219	7,004,334	5,197,259	6,467,138	228,303,554
2009	130,360,416	75,099,973	17,119,002	6,600,299	5,791,391	7,818,015	242,789,096
2008	130,094,818	73,830,720	18,013,104	6,511,457	6,806,258	7,667,778	242,924,135
2007	125,328,388	63,928,043	19,126,239	6,491,112	10,371,565	7,052,107	232,297,454
2006	121,857,986	60,757,501	18,423,079	7,063,192	4,082,196	7,886,377	220,070,331
2005	119,318,079	63,180,171	16,535,049	6,936,334	4,327,311	12,028,417	222,325,361

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

**SPECIAL ASSESSMENT COLLECTIONS
LAST TEN YEARS ¹**

Fiscal Year Ended <u>August 31</u>	Special Assessment Collections <u>Including Interest</u>
2014	\$ 1,577,645
2013	1,021,572
2012	1,151,931
2011	1,103,720
2010	1,136,150
2009	1,071,238
2008	1,418,936
2007	1,448,146
2006	1,667,037
2005	1,413,582

¹ Special assessment collections are not tracked by levy year, therefore the portion of collections during any year that apply to any particular 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 2014 tax levy for the 2014-2015 fiscal year is \$127,141,801 below the legal limit, a tax rate per \$100 valuation of .31958. The assessed value upon which the 2014 levy is based is \$17,380,126,373. By charter, only 90% of the property tax levy may be appropriated.

For the 2014-2015 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 2014-2015 the City can also use authority equal to the greater of 2.5% or the amount of real growth in the tax base that was 1.573%. An additional 1% can be authorized by a 75% vote of the City Council but was not utilized for the 2014-2015 budget. The 2014-2015 budget is \$13,339,709 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.

Tax Year	Taxes Levied	Collected As Of August 31		Accumulated Collections As Of August 31, 2014	
		Amount	Percent	Amount	Percent
2014	\$ 54,007,569	\$ 52,616,370	97.42 %	\$ 52,616,370	97.42 %
2013	52,644,511	51,226,109	97.31	52,590,023	99.90
2012	50,201,909	48,788,943	97.19	50,131,930	99.86
2011	45,620,336	44,206,917	96.90	45,565,359	99.88
2010	45,210,589	43,791,366	96.86	45,191,351	99.96
2009	45,885,354	44,385,970	96.73	45,879,271	99.99
2008	45,231,843	43,526,689	96.23	45,050,396	99.60
2007	43,339,708	41,815,295	96.48	43,314,455	99.94
2006	40,930,818	39,549,553	96.63	40,927,826	99.99
2005	38,793,370	37,488,504	96.64	38,749,283	99.89

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	2014 Assessed Valuations	Percentage Of Total Assessed Valuation
B & J Partnership Ltd.	Building Management	\$ 89,450,400	0.52%
Burlington Northern	Railroad	86,184,394	0.50%
Kawasaki	Manufacturing	71,904,009	0.42%
Chateau Van Dorn LLC	Real Estate Development	63,329,443	0.37%
Nebco	Construction/Development	61,314,738	0.36%
Ameritas Life Insurance Corp	Insurance	59,539,049	0.35%
WEA Gateway LLC	Retail Management	58,201,700	0.34%
BryanLGH	Hospital	48,142,800	0.28%
Windstream	Telecommunications	46,124,247	0.27%
Assurity Life Insurance Co.	Insurance	41,180,873	0.24%
		\$ 625,371,653	3.65%

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 three percent (3%) 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
2014	\$ 66,393,391
2013	63,134,808
2012	61,472,342
2011	57,959,545
2010	54,925,013
2009	54,255,376
2008	55,733,297
2007	53,960,485
2006	54,270,346
2005	53,781,209

**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
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
2011	31,449,267	57,959,545	30,957	1,755,098	11,699,691	102,894,558
2010	31,486,553	54,925,013	11,895	1,620,431	10,467,534	98,511,426
2009	33,783,984	54,255,376	8,143	1,540,752	10,071,230	99,659,485
2008	32,181,660	55,733,297	18,600	1,511,404	9,670,060	99,115,021
2007	31,454,763	53,960,485	10,492	1,399,939	9,596,588	96,422,267
2006	28,366,526	54,270,346	9,526	1,315,038	8,936,502	92,897,938
2005	26,727,618	53,781,209	12,445	1,159,742	9,169,791	90,850,805

**TAXABLE ASSESSED VALUATION
LAST TEN YEARS ¹**

Tax Year	Real Estate	All Other	Total
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
2011	15,125,408,200	755,852,220	15,881,260,420
2010	14,984,937,627	761,515,955	15,746,453,582
2009	15,222,189,222	713,383,515	15,935,572,737
2008	14,969,536,405	684,390,085	15,653,926,490
2007	14,638,856,501	703,307,287	15,342,163,788
2006	12,897,825,080	685,425,215	13,583,250,295

¹Property 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**

	Tax Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
City of Lincoln	0.3158	0.3158	0.3158	0.2879	0.2879	0.2879	0.2879	0.2833	0.3009	0.2950
School District No. 1	1.2441	1.2447	1.2461	1.2462	1.2537	1.2668	1.2719	1.2764	1.3142	1.3141
Lancaster County	0.2813	0.2843	0.2683	0.2683	0.2683	0.2683	0.2755	0.2655	0.2841	0.2797
Educational Service Unit #18	0.0150	0.0150	0.0150	0.0145	0.0150	0.0150	0.0141	0.0141	0.0150	0.0150
Community Technical College	0.0667	0.0627	0.0627	0.0600	0.0676	0.0722	0.0689	0.0689	0.0696	0.0655
Lower Platte South Natural Res. Dist.	0.0361	0.0378	0.0398	0.0406	0.0410	0.0410	0.0418	0.0416	0.0422	0.0323
Railroad Transportation Safety Dist.	0.0130	0.0100	0.0260	0.0260	0.0260	0.0260	0.0260	0.0246	0.0260	0.0260
Lancaster County Correctional JPA City	0.0172	0.0177	0.0185	0.0189	0.0194	0.0195	-	-	-	-
Lancaster County Correctional JPA County	0.0096	0.0099	0.0105	0.0106	0.0107	0.0106	-	-	-	-
Agricultural Society of Lancaster County	0.0015	0.0015	0.0016	0.0017	0.0016	0.0015	0.0016	0.0016	0.0018	0.0020
Lancaster County Fairgrounds	0.0034	0.0037	0.0037	0.0038	0.0038	0.0038	0.0043	0.0037	0.0042	0.0042
Public Building Commission	0.0170	0.0167	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170
	<u>2.0207</u>	<u>2.0198</u>	<u>2.0250</u>	<u>1.9955</u>	<u>2.0120</u>	<u>2.0296</u>	<u>2.0090</u>	<u>1.9967</u>	<u>2.0750</u>	<u>2.0508</u>

¹The 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, 2014

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:							
9,950	06/15/05	Storm Sewer Construction	3.250 - 4.250	Serial 2006 to 2025	2015	Semiannually	6,340
8,295	06/27/07	Stormwater Drainage and Flood Mgmt	4.625 - 5.000	Serial 2008 to 2027	2017	"	6,230
8,200	02/10/11	Stormwater Bonds	2.000 - 4.500	Serial 2013 to 2030	2020	"	7,470
19,290	06/21/11	Refunding	0.2000 - 5.000	Serial 2011 to 2022	2019	"	14,525
8,090	06/26/12	Refunding	1.000 - 3.000	Serial 2013 to 2023	na	"	6,310
6,385	03/20/13	Stormwater Bonds	2.000 - 4.000	Serial 2014 to 2029	2023	"	6,385
1,515	03/20/13	Stormwater Bonds	3.125	Term 2032	2023	"	1,515
Total General Bonds							\$ 48,775
Tax Allocation Bonds:							
5,500	04/21/04	Tax Allocation Bonds	3.000 - 4.800	Serial 2004 to 2015	2010	"	1,415
365	08/15/05	Tax Allocation Bonds	4.750	Serial 2006 to 2018	Anytime	"	125
288	10/01/06	Tax Allocation Bonds	5.100	Serial 2008 to 2016	Anytime	"	89
2,205	04/05/07	Tax Allocation Bonds	5.000 - 5.550	Serial 2009 to 2018	2012	"	1,245
601	06/01/07	Tax Allocation Bonds	5.240	Serial 2008 to 2018	Anytime	"	518
388	06/01/07	Tax Allocation Bonds	5.240	Serial 2007 to 2020	Anytime	"	220
369	06/15/07	Tax Allocation Bonds	5.400	Serial 2007 to 2014	Anytime	"	29
42	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2021	Anytime	"	27
71	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2017	Anytime	"	48
474	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2022	Anytime	"	168
547	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	362
200	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	130
611	06/30/09	Tax Allocation Bonds	7.00	Serial 2011 to 2023	Anytime	"	544
3,375	07/28/09	Tax Allocation Bonds	2.500 - 6.400	Serial 2011 to 2023	Anytime	"	2,760
263	04/01/11	Tax Allocation Bonds	3.990	Serial 2011 to 2022	Anytime	"	204
103	04/15/13	Tax Allocation Bonds	2.370	Serial 2013 to 2025	Anytime	"	92
Total Tax Allocation Bonds							\$ 7,976
Tax Supported Bonds:							
27,000	12/05/06	Highway Allocation Fund	4.000 - 5.000	Serial 2008 to 2027	2016	Semiannually	19,865
28,095	06/06/12	Highway Allocation Fund	1.000 - 5.000	Serial 2012 to 2023	na	"	25,110
16,515	07/23/13	Limited Tax Arena Bonds	2.000 - 4.500	Serial 2016 to 2031	2023	"	16,515
2,635	07/23/13	Limited Tax Arena Bonds	2.000 - 4.500	Term 2035	2023	"	2,635
5,850	07/23/13	Limited Tax Arena Bonds	2.000 - 4.500	Term 2037	2023	"	5,850
Total Tax Supported Bonds							\$ 69,975
Special Assessment Bonds:							
825	8/18/11	Special Assessment	0.400 - 3.700	Serial 2012 to 2026		Semiannually	675
375	8/18/11	Special Assessment	4.200	Term 2031		"	375
3,000	11/23/11	Special Assessment	2.000 - 3.500	Serial 2012 to 2031		"	2,615
Total Special Assessment Bonds							\$ 3,665
West Haymarket Joint Public Agency							
31,515	9/8/10	Facility Bonds Taxable Build America Bonds	3.500 - 4.45	Serial 2020 to 2030	Anytime	Semiannually	31,515
68,485	9/8/10	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	"	15,785
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
44,290	8/24/11	Facility Bonds	3.500 - 5.000	Serial 2021 to 2032	2021	"	44,290
55,710	8/24/11	Facility Bonds	4.250 - 5.000	Term 2036 & 2042	2021	"	55,710
20,850	12/04/13	Facility Bonds	2.000 - 5.000	Serial 2014 to 2038	2023	"	20,850
7,325	12/04/13	Facility Bonds	4.500	Term 2043	2021	"	7,325
Total West Haymarket Joint Public Agency							\$ 328,175
TOTAL GENERAL OBLIGATION BONDS							\$ 458,566
Tax Supported Bonds:							
11,080	3/13/02	Antelope Valley Project	1.500 - 5.000	Serial 2002 to 2016	2012	Semiannually	\$ 3,690
Revenue Bonds:							
18,000	08/03/05	Wastewater Revenue	4.000 - 5.000	Serial 2006 to 2030	2015	Semiannually	\$ 13,320
16,710	04/18/07	Wastewater Revenue	4.000 - 4.500	Serial 2008 to 2029	2017	"	12,980
3,750	04/18/07	Wastewater Revenue	4.375	Term 2032	2017	"	3,750
38,290	05/24/12	Wastewater Revenue	1.000 - 5.000	Serial 2013 to 2028	2023	"	34,275
Total Wastewater Bonds							\$ 64,325
10,515	08/04/09	Water Revenue	2.000 - 4.125	Serial 2013 to 2029	2019	Semiannually	9,575
4,905	08/04/09	Water Revenue	4.5000	Term 2034	2019	"	4,905
10,895	06/21/12	Water Revenue Refunding	1.000 - 4.000	Serial 2013 to 2022	N/A	"	8,860
28,595	05/30/13	Water Revenue Refunding	1.000 - 5.000	Serial 2013 to 2025	2023	"	26,035
Total Water Bonds							\$ 49,375
7,745	01/27/11	Parking Revenue and Refunding	2.000 - 5.000	Serial 2015 to 2024	2021	"	7,745
10,775	01/27/11	Parking Revenue and Refunding	5.000 / 5.125 / 5.500	Term 2026 & 2031	2021	"	10,775
9,315	11/29/12	Parking Revenue and Refunding	400 - 4.000	Serial 2013 to 2027	2022	"	7,920
2,765	11/29/12	Parking Revenue and Refunding	3.00	Term 2032	2022	"	2,765
Total Parking Bonds							\$ 29,205
8,340	02/26/13	Solid Waste Management Revenue and Refunding	250 - 4.000	Serial 2013 to 2029	2023	Semiannually	\$ 7,315
93,045	10/01/03	Electric Revenue and Refunding Bonds	3.000 - 5.000	Serial 2004 to 2026	2014	"	6,760
183,230	05/15/07	Electric Revenue and Refunding Bonds	4.000 - 5.000	Serial 2009 to 2035	2016	"	163,835
81,850	05/15/07	Electric Revenue and Refunding Bonds	4.500 / 4.750	Term 2034 & 2037	2016	"	81,850
247,150	08/15/12	Electric Revenue and Refunding Bonds	1.000 - 5.000	Serial 2013 to 2032	2022	"	235,305
30,165	08/15/12	Electric Revenue and Refunding Bonds	3.625 - 5.000	Term 2037	2022	"	30,165
75,525	06/20/13	Electric Revenue and Refunding Bonds	2.700 - 5.000	Serial 2021 to 2025	2023	"	75,525
Total Electric Bonds							\$ 593,440
TOTAL REVENUE BONDS							\$ 743,660

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

Fiscal Year Ended August 31	Governmental Activities					
	General Obligation Bonds		Tax Supported Bonds		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 10,139	21,035	815	162	5,346	1,238
2016	11,405	20,683	855	122	6,200	1,136
2017	10,538	20,322	2,020	51	4,590	978
2018	10,766	19,962	-	-	3,940	852
2019	10,585	19,577	-	-	3,667	745
2020-2024	79,297	89,858	-	-	15,030	2,261
2025-2029	70,951	72,878	-	-	4,743	357
2030-2034	70,825	57,339	-	-	215	10
2035-2039	78,305	39,436	-	-	-	-
2040-2044	82,775	17,781	-	-	-	-
2045-2046	22,980	1,363	-	-	-	-
	<u>458,566</u>	<u>380,234</u>	<u>3,690</u>	<u>335</u>	<u>43,731</u>	<u>7,577</u>

Fiscal Year Ended August 31	Business-Type Activities					
	Revenue Bonds		Loans Payable		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 29,895	31,967	1,828	1,051	399	36
2016	31,075	30,735	1,646	1,011	346	29
2017	33,060	29,490	1,687	969	352	23
2018	34,445	28,052	1,730	925	202	17
2019	35,900	26,526	1,774	881	155	13
2020-2024	201,150	107,131	9,382	3,689	485	19
2025-2029	165,810	64,967	9,907	2,361	-	-
2030-2034	120,915	34,207	9,727	847	-	-
2035-2038	91,410	12,431	-	-	-	-
	<u>\$ 743,660</u>	<u>365,506</u>	<u>37,681</u>	<u>11,734</u>	<u>1,939</u>	<u>137</u>

Fiscal Year Ended August 31	Major Enterprise Funds					
	Wastewater System		Water System		Electric System	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 4,343	3,145	4,310	2,154	21,060	26,371
2016	4,372	2,962	4,254	2,078	22,050	25,382
2017	4,537	2,778	4,320	2,000	23,800	24,398
2018	4,627	2,666	4,433	1,858	24,990	23,208
2019	4,723	2,543	4,556	1,712	26,240	21,958
2020-2024	25,963	10,238	22,329	5,932	151,345	89,640
2025-2029	27,478	4,896	9,824	2,728	126,600	56,906
2030-2034	10,388	833	9,124	1,082	105,945	32,762
2035-2038	-	-	-	-	91,410	12,431
	<u>\$ 86,431</u>	<u>30,061</u>	<u>63,150</u>	<u>19,544</u>	<u>593,440</u>	<u>313,056</u>

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 \$3,941,983, \$2,989,196, \$4,804,519, and \$1,367,802 are currently available in the debt service funds to service the General Obligation Bonds, Tax Supported Bonds, Tax Allocation 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, street lights, emergency ambulances and defibrillators, fire engines, 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	\$ 1,774,450	\$ 210,000
Buildings	25,492,801	1,646,732
Improvements	219,925	-
Infrastructure	19,583,531	-
Machinery and Equipment	6,392,824	3,423,476
Construction In Progress	52,500	-
Less Accumulated Depreciation, (where applicable)	(10,664,292)	(2,568,981)
Total	<u>\$ 42,851,739</u>	<u>\$ 2,711,227</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, 2014, is summarized below (unaudited):

<u>Governmental Units</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Direct And Overlapping Debt To The City</u>
Direct:			
City	\$ 517,769,000	100.0 %	\$ 517,769,000
Overlapping:			
School District #1	442,052,535	99.5	439,842,000
Lower Platte South N.R.D.	-	75.4	-
Lancaster County	370,000	85.4	316,000
Public Building Commission	33,880,000	85.4	28,934,000
Lancaster County Correctional Facility	52,050,000	85.4	44,451,000
Lancaster County Fairgrounds	9,900,000	85.4	8,455,000
	<u>538,252,535</u>		<u>521,998,000</u>
Total	<u>\$ 1,056,021,535</u>		<u>\$ 1,039,767,000</u>

The City has no direct liability for the School District, Lower Platte South N.R.D., Lancaster County, Public Building Commission, Lancaster County Fairgrounds or Lancaster County Correctional Facility debt summarized above. This results in a per capita direct City debt of \$1,926.67; a per capita direct and overlapping debt of \$3,869.07; a ratio of direct City debt to 2014 actual valuation of 3.03 percent; and a ratio of direct and overlapping debt to 2014 actual valuation of 6.08 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, 2014, the Airport Authority had outstanding \$32,640,000 in aggregate principal amount of its general obligation airport bonds. The Airport Authority anticipates that such bonds will be paid from revenues derived from its operations of the Lincoln Municipal Airport, but 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 Expenditures ¹	Ratio Of Debt Service To Total General Expenditures
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
2011	6,857,978	5,147,840	12,005,818	225,622,756	5.32
2010	7,457,532	5,676,933	13,134,465	207,939,796	6.32
2009	8,036,544	5,814,071	13,850,615	195,544,608	7.08
2008	6,824,828	5,979,172	12,804,000	195,469,478	6.55
2007	5,617,536	4,986,687	10,604,223	192,566,160	5.51
2006	5,770,794	4,670,734	10,441,528	190,705,202	5.48
2005	5,421,699	4,860,926	10,282,625	182,804,746	5.62

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 YEARS**

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
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%
2011	119,663,000	13,305,000	106,358,000	258,379	411.64	15,881,260,420	0.67%	15,125,408,200	0.70%
2010	118,383,000	13,480,000	104,903,000	254,001	413.00	15,746,453,582	0.67%	14,984,937,627	0.70%
2009	125,181,000	13,604,000	111,577,000	251,624	443.43	15,935,572,737	0.70%	15,222,189,222	0.73%
2008	128,581,000	12,962,000	115,619,000	248,744	464.81	15,653,926,490	0.74%	14,969,536,405	0.77%
2007	133,413,000	11,574,000	121,839,000	241,167	505.21	15,342,163,788	0.79%	14,638,856,501	0.83%
2006	99,347,000	9,733,000	89,614,000	239,213	374.62	13,583,250,295	0.66%	12,897,825,080	0.69%
2005	104,538,000	13,364,000	91,174,000	238,625	382.08	13,138,516,226	0.69%	12,421,799,720	0.73%

¹ Source: Lincoln/Lancaster Planning Department.

² Assessed valuation is 100% of actual

**REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS**

	Gross Revenue	Direct Operating Expenses	Net Available Revenue	Debt Service Requirements			Coverage
				Principal	Interest	Total	
Wastewater System							
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
2011	23,546,370	12,543,964	11,002,406	2,865,000	3,647,609	6,512,609	1.69
2010	22,472,095	11,664,593	10,807,502	2,695,000	3,731,444	6,426,444	1.68
2009	22,643,270	11,771,291	10,871,979	2,620,000	3,820,044	6,440,044	1.69
2008	22,347,867	11,393,624	10,954,243	2,415,000	4,030,454	6,445,454	1.70
2007	21,158,743	11,462,964	9,695,779	2,005,000	3,081,481	5,086,481	1.91
2006	19,827,194	11,125,819	8,701,375	2,065,000	3,043,500	5,108,500	1.70
2005	18,248,683	10,482,955	7,765,728	1,500,000	2,403,519	3,903,519	1.99
Water System							
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
2011	30,629,506	15,455,027	15,174,479	6,310,000	3,191,857	9,501,857	1.60
2010	26,515,467	14,091,292	12,424,175	6,050,000	3,458,097	9,508,097	1.31
2009	27,838,187	14,995,077	12,843,110	5,795,000	3,128,414	8,923,414	1.44
2008	27,257,184	14,425,521	12,831,663	5,555,000	3,376,201	8,931,201	1.44
2007	29,386,495	14,351,136	15,035,359	5,340,000	3,612,001	8,952,001	1.68
2006	29,014,999	13,808,214	15,206,785	5,130,000	3,834,301	8,964,301	1.70
2005	27,153,937	13,145,665	14,008,272	4,895,000	3,517,932	8,412,932	1.67
Parking Facilities ¹							
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
2011	7,698,018	3,606,008	4,092,010	580,000	689,717	1,269,717	3.22
2010	6,869,392	3,340,601	3,528,791	1,435,000	558,519	1,993,519	1.77
2009	7,014,250	2,874,768	4,139,482	1,360,000	624,394	1,984,394	2.09
2008	7,134,709	2,912,511	4,222,198	1,305,000	687,194	1,992,194	2.12
2007	6,645,013	2,781,952	3,863,061	1,240,000	746,374	1,986,374	1.94
2006	6,785,593	2,775,122	4,010,471	1,185,000	799,931	1,984,931	2.02
2005	6,219,935	2,972,709	3,247,226	1,140,000	850,501	1,990,501	1.63
Solid Waste Management							
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
2011	7,615,130	6,253,133	1,361,997	210,000	132,425	342,425	3.98
2010	7,377,385	5,768,077	1,609,308	200,000	140,425	340,425	4.73
2009	7,664,336	5,491,789	2,172,547	195,000	148,225	343,225	6.33
2008	8,537,520	5,540,292	2,997,228	190,000	155,825	345,825	8.67
2007	8,020,390	5,290,802	2,729,588	185,000	160,825	345,825	7.89

¹ Information in this table does not agree with information in the transmittal letter of the City's Comprehensive Annual Financial Report because that information is calculated in accordance with specific requirements of the bond covenants.

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

	<u>F.Y. 2014</u>	<u>F.Y. 2013</u>	<u>F.Y. 2012</u>	<u>F.Y. 2011</u>	<u>F.Y. 2010</u>	<u>F.Y. 2009</u>	<u>F.Y. 2008</u>	<u>F.Y. 2007</u>	<u>F.Y. 2006</u>	<u>F.Y. 2005</u>
Cash & Investment Balance - September 1 of Year Indicated \$	25,932,021	22,789,222	16,942,409	14,597,487	16,286,626	15,738,481	14,632,274	13,475,643	18,948,253	23,521,130
Receipts:										
Property Tax	37,428,736	34,599,257	33,574,992	31,449,267	31,486,553	33,783,984	32,181,660	31,454,763	28,366,526	26,727,618
City Sales & Use Tax	66,393,392	63,134,808	61,472,342	57,959,545	54,925,013	54,255,376	55,733,297	53,960,485	54,270,346	53,781,209
Other Income	36,929,588	36,298,994	36,542,477	33,232,580	27,906,103	27,389,492	26,270,119	27,663,641	25,390,112	25,620,145
Total Receipts	140,751,716	134,033,059	131,589,811	122,641,392	114,317,669	115,428,852	114,185,076	113,078,889	108,026,984	106,128,972
Less Disbursements	134,211,871	130,890,260	125,742,998	120,296,470	116,006,808	114,880,707	113,078,869	111,922,258	113,499,594	110,701,849
Cash & Investment Balance - August 31 of Year Indicated \$	<u>32,471,866</u>	<u>25,932,021</u>	<u>22,789,222</u>	<u>16,942,409</u>	<u>14,597,487</u>	<u>16,286,626</u>	<u>15,738,481</u>	<u>14,632,274</u>	<u>13,475,643</u>	<u>18,948,253</u>

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

		<u>F.Y. 2014</u>	<u>F.Y. 2013</u>	<u>F.Y. 2012</u>	<u>F.Y. 2011</u>	<u>F.Y. 2010</u>	<u>F.Y. 2009</u>	<u>F.Y. 2008</u>	<u>F.Y. 2007</u>	<u>F.Y. 2006</u>	<u>F.Y. 2005</u>
Cash Balance - September 1 of Year Indicated	\$	3,883,237	3,929,968	2,234,981	2,941,245	3,533,968	4,201,889	4,057,088	2,761,491	3,364,608	3,570,557
Receipts:											
Property Tax		5,558,081	5,594,005	5,773,392	5,337,610	5,517,878	5,689,007	5,709,454	5,460,690	2,973,410	5,607,615
Interest Income		10,126	8,507	13,723	28,331	60,063	131,475	153,977	84,935	86,812	83,286
Bond Proceeds				8,369,497	20,236,484						6,597,635
Other Income		<u>98,027</u>	<u>104,162</u>	<u>110,962</u>	<u>116,758</u>	<u>124,279</u>	<u>173,446</u>	<u>1,003,173</u>	<u>1,927,112</u>	<u>2,935,603</u>	<u>149,038</u>
Total Receipts		<u>5,666,234</u>	<u>5,706,674</u>	<u>14,267,574</u>	<u>25,719,183</u>	<u>5,702,220</u>	<u>5,993,928</u>	<u>6,866,604</u>	<u>7,472,737</u>	<u>5,995,825</u>	<u>12,437,574</u>
Disbursements:											
Bonds Paid		4,240,000	4,225,000	2,390,000	2,720,000	4,110,000	4,320,000	4,260,000	3,950,000	4,250,000	3,850,000
Bonds Defeased											
Interest Paid		1,745,495	1,521,904	1,822,197	1,753,957	2,178,545	2,335,411	2,456,373	2,217,610	2,342,582	2,197,207
Transfer to Trustee				8,242,367	21,746,822						6,504,876
Other Disbursements		<u>2,274</u>	<u>6,501</u>	<u>118,023</u>	<u>204,668</u>	<u>6,398</u>	<u>6,438</u>	<u>5,430</u>	<u>9,530</u>	<u>6,360</u>	<u>91,440</u>
Total Disbursements		<u>5,987,769</u>	<u>5,753,405</u>	<u>12,572,587</u>	<u>26,425,447</u>	<u>6,294,943</u>	<u>6,661,849</u>	<u>6,721,803</u>	<u>6,177,140</u>	<u>6,598,942</u>	<u>12,643,523</u>
Cash Balance - August 31 of Year Indicated	\$	<u><u>3,561,702</u></u>	<u><u>3,883,237</u></u>	<u><u>3,929,968</u></u>	<u><u>2,234,981</u></u>	<u><u>2,941,245</u></u>	<u><u>3,533,968</u></u>	<u><u>4,201,889</u></u>	<u><u>4,057,088</u></u>	<u><u>2,761,491</u></u>	<u><u>3,364,608</u></u>

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

	<u>F.Y. 2014</u>	<u>F.Y. 2013</u>	<u>F.Y. 2012</u>	<u>F.Y. 2011</u>	<u>F.Y. 2010</u>	<u>F.Y. 2009</u>	<u>F.Y. 2008</u>	<u>F.Y. 2007</u>	<u>F.Y. 2006</u>	<u>F.Y. 2005</u>
Cash & Investment Balance - September 1 of Year Indicated	\$ 2,509,487	2,348,773	759,180	4,302,257	4,161,711	11,148,146	9,991,053	8,846,000	7,583,251	7,830,502
Receipts:										
Special Assessment Collections	1,521,959	941,365	1,049,570	996,209	984,301	954,672	1,235,621	1,257,112	1,476,284	1,208,686
Interest on Special Assessments	53,761	78,642	98,844	106,379	148,383	112,749	179,258	188,349	189,927	204,108
City's Share of Costs	783,436	1,205,443	621,898	233,615	292,420	34,802		187,957	723,038	578,992
Developers' Share of Costs										
Bond Proceeds			3,036,003	1,200,000						
Interest on Investments	40,673	41,212	47,349	60,248	135,149	335,273	453,282	340,274	254,809	217,996
Miscellaneous	733			38,456			33,964	49,403	74,657	30,687
Total Receipts	<u>2,400,562</u>	<u>2,266,662</u>	<u>4,853,664</u>	<u>2,634,907</u>	<u>1,560,253</u>	<u>1,437,496</u>	<u>1,902,125</u>	<u>2,023,095</u>	<u>2,718,715</u>	<u>2,240,469</u>
Disbursements:										
Construction Costs	1,213,770	901,811	2,359,096	2,081,765	1,113,691	861,203	742,698	766,768	1,066,513	1,796,239
Bonds Paid	175,000	170,000	190,000					55,000		100,000
Equity Transfer						7,554,009				
Interest Paid on Bonds & Notes	112,023	114,722	94,911	3,758,342				37,581		3,425
Other Refunds & Expenses	789,536	919,415	620,064	337,877	306,016	8,719	2,334	18,693	389,453	588,056
Total Disbursements	<u>2,290,329</u>	<u>2,105,948</u>	<u>3,264,071</u>	<u>6,177,984</u>	<u>1,419,707</u>	<u>8,423,931</u>	<u>745,032</u>	<u>878,042</u>	<u>1,455,966</u>	<u>2,487,720</u>
Cash & Investment Balance - August 31 of Year Indicated	\$ <u>2,619,720</u>	<u>2,509,487</u>	<u>2,348,773</u>	<u>759,180</u>	<u>4,302,257</u>	<u>4,161,711</u>	<u>11,148,146</u>	<u>9,991,053</u>	<u>8,846,000</u>	<u>7,583,251</u>

APPENDIX B

FINANCIAL STATEMENTS

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Comprehensive **ANNUAL FINANCIAL
REPORT**

Fiscal Year Ended August 31, 2014

On the cover:

"Ascent" by Nebraska artist Jun Kaneko lights up the new Lincoln Community Foundation Tower Square, the City's newest park, in downtown Lincoln.

Photo provided by Andrea Collins.

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

**OF THE
CITY OF LINCOLN, NEBRASKA**

FOR THE FISCAL YEAR ENDED AUGUST 31, 2014

Prepared by:

The Accounting Division of the Finance Department

INTRODUCTORY SECTION

OFFICIALS OF THE CITY OF LINCOLN

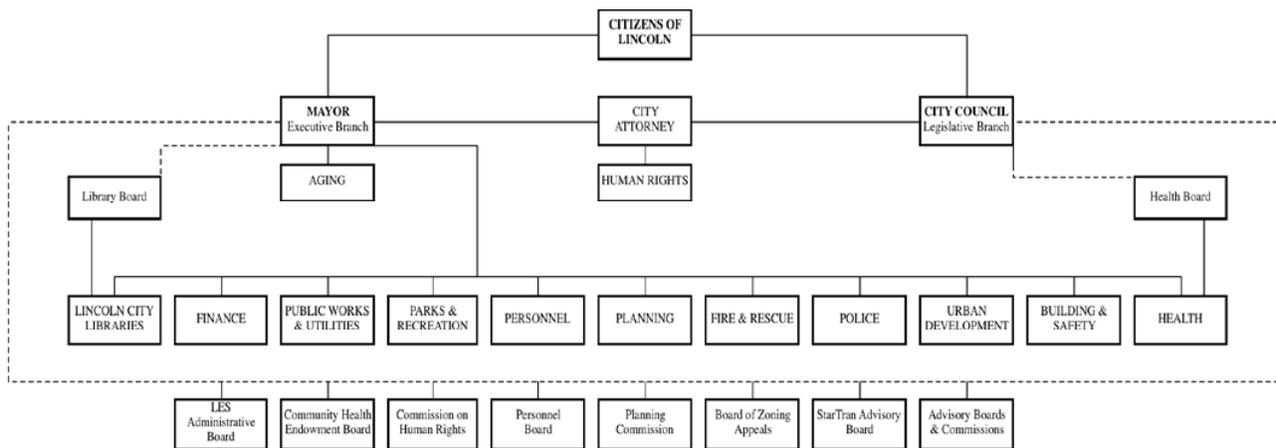
Chris Beutler Mayor
 Doug Emery Chair, City Council
 Trent Fellers Vice Chair, City Council
 Jon Camp Council Member
 Roy Christensen Council Member
 Jonathan Cook Council Member
 Carl Eskridge Council Member
 Leirion Gaylor Baird Council Member

* * * * *

Steve Hubka Interim Finance Director
 David Cary Acting Planning Director
 Lynn Johnson Parks and Recreation Director
 Kevin Wailes Lincoln Electric System Administrator
 David Landis Urban Development Director
 Pat Leach Library Director
 Miki Esposito Public Works/Utilities Director
 Chad Blahak Building and Safety Director
 Judith Halstead Health Director
 Douglas McDaniel Personnel Director
 Jeffery Kirkpatrick City Attorney
 Tom Casady Public Safety Director
 Jim Peschong Police Chief
 John Huff Fire Chief

* * * * *

CITY OF LINCOLN ORGANIZATION CHART



**CITY OF LINCOLN, NEBRASKA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED AUGUST 31, 2014
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MAYOR CHRIS BEUTLER

555 South 10th Street, Suite 301 Lincoln, NE 68508
402-441-7511 lincoln.ne.gov

February 24, 2015

Dear Citizens and Public Officials:

It is my pleasure to submit the City of Lincoln's Comprehensive Annual Financial Report for the fiscal year ended August 31, 2014.

Ensuring both fiscal and operational accountability in our use of public resources is a priority for my Administration, and this report is essential to that effort. This report provides a complete and accurate picture of the City's financial status and fulfills our continuing disclosure responsibilities in accordance with governmental reporting standards.

Our ability to manage the City's fiscal affairs and provide a full disclosure of the City's fiscal condition is exhibited by the unqualified audit opinion that follows. I am proud to report that the 2013 report submitted to the Government Finance Officers Association was recognized with the prestigious Certificate of Achievement for Excellence in Financial Reporting for the 31st consecutive year. This recognition is a credit to the City and a compliment to our dedicated Finance Department.

I would like to thank the Finance Department employees for their commitment in dealing with these complex accounting issues and to all City departments for their cooperation in the preparation of this document.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Beutler", written over a horizontal line.

Chris Beutler
Mayor of Lincoln



FINANCE DEPARTMENT

555 South 10th Street, Suite 103, Lincoln, NE 68508
402-441-7411 fax: 402-441-9325 lincoln.ne.gov

February 24, 2015

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Lincoln:

Both the City Charter and State law require an annual audit of the City's funds and accounts be made by a recognized independent and qualified accountant covering all financial transactions, affairs, and financial condition of the City, with the audit report published within six months after the close of the fiscal year. Pursuant to this requirement, the Comprehensive Annual Financial Report (CAFR) of the City of Lincoln, Nebraska for the fiscal year ended August 31, 2014, is hereby submitted.

Responsibility for both the accuracy of the data found in this report, and the completeness and fairness of the presentation, including all disclosures, rests with management. In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss, theft, or misuse, and to ensure the reliability of financial records for preparing financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and local financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. The federal government, under the revised OMB Circular A-133, requires local governments that expend \$500,000 or more in federal funds in any fiscal year to have a financial and compliance audit performed. As part of the City's Single Audit, tests were made of the City's internal control structure over compliance and its compliance with applicable laws and regulations, including those related to major federal financial assistance programs. The Single Audit for the year ended August 31, 2014, disclosed no material internal control weaknesses. The independent auditor's reports are included in the Single Audit section found at the end of the CAFR.

To the best of management's knowledge and belief, the enclosed data are accurate in all material respects and reported in a manner designed to present fairly the financial position and financial activities of the City. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities as specified by all currently effective statements of the Governmental Accounting Standards Board have been included.

A firm of licensed certified public accountants has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering unmodified opinions that the City's financial statements for the fiscal year ended August 31, 2014, are fairly presented in conformity with GAAP.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found in the Financial Section immediately following the report of the independent auditors.

Profile of the City

The City of Lincoln, capital city of Nebraska, was originally incorporated on April 7, 1869. Lincoln is located in the southeastern corner of the state, is midway between Chicago and Denver, and is currently one of the fastest growing metro areas in the Midwest. It occupies a land area of approximately 90 square miles, serves a population of over 268,000, 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's governmental and educational activities.

The City operates under a Home Rule Charter and 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 Council members are elected at large and four by district on a nonpartisan basis for a term of four years. All legislative powers of the City are exclusively vested in the Council, as well as the power to adopt the budget, set the tax levy, and equalize taxes and assessments. The Mayor is responsible for the proper conduct of the affairs of the City, with the administration of City government performed under the direction of the Mayor through administrative departments.

The City of Lincoln provides a full range of services, including public safety (police and fire); the construction and maintenance of highways, streets, and other infrastructure; health; planning and zoning; golf courses, parks and recreation; urban development; mass transportation; ambulance transport; electric, water, and wastewater utilities; solid waste management; entertainment centers; parking facilities; and general administrative services.

The City Council exercises budgetary and/or rate setting authority over the City Library and Lincoln Electric System (LES), neither of which are legally separate from the City and are thus included as part of the primary government. The Lincoln Water System, Lincoln Wastewater System, Emergency Medical Services, Solid Waste Management, Parking Facilities and Lots, Golf Courses, Pershing Center, Pinnacle Bank Arena, and Community Health Endowment are all part of administrative departments under the direction of the Mayor and are included as part of the primary government. The City is considered to be financially accountable for the West Haymarket Joint Public Agency, and has included the Agency as part of the primary government as a blended component unit. Separately audited financial statements are available for LES, Lincoln Water System, Lincoln Wastewater System, Emergency Medical Services, Solid Waste Management, Parking System, Community Health Permanent Endowment Trust, and West Haymarket Joint Public Agency.

Beginning with the fiscal year 2012/2013, the City of Lincoln converted to adopting a biennial budget. The biennial budget serves as the basis for the City of Lincoln's financial planning and control. Following public hearings and not later than five days prior to the beginning of the biennium, the budget is legally adopted by resolution of the City Council. Appropriation controls are required at the department level, however, as a matter of policy and practice, appropriations generally are controlled at the next level of organization (division) or by fund within a department. The Mayor has the authority to transfer balances within a department as well as lower appropriations in any fund where actual revenues are less than appropriated in order to avoid incurring a budget deficit for the year. Appropriation transfers between departments may only be authorized by resolution of the City Council. The Council may not make any appropriations in tax supported funds in addition to those authorized in the biennial budget, except in the event of an emergency threatening serious loss of life, health, or property in the community.

Economic Condition and Outlook

Population growth is one of the best indicators of a community's economic well-being. As such, the Lincoln metropolitan area's population growth during the past several years reflects a community that is economically viable and is strongly positioned to meet future challenges.

The Lincoln metropolitan area population base (Lancaster County) continues to demonstrate a pattern of sustained growth. According to the U. S. Census figures, Lancaster County's rate of growth between 2000 and 2013 has been 18.1 percent or approximately 1.29 percent per year. The 2013 population of Lancaster County has been estimated to be in excess of 297,000 persons.

While such a growth rate may be modest by some standards, this healthy pace of expansion places Lincoln as one of the fastest growing communities in this region. Recent projections envision Lincoln to continue to grow at a rate of over 1% per year. As importantly, the City of Lincoln continues to absorb about 90% of all growth in Lancaster County.

Lincoln's unemployment rate at August 31, 2014, was 3.1%, well below the national average of 6.1%, with employment strongest in the categories of government, educational & health services, and retail trade. Lincoln's current number of construction permits is up 17% when compared to levels 5 years ago, with an increase in the value of construction permits of over \$210 million.

To more aggressively pursue economic opportunities, the City, Lancaster County, and LES have partnered to hire an economic development coordinator to facilitate job creation in the private sector. In addition, the Mayor's Technology Council completed its technology audit, which led to a new strategic plan for economic development.

Net sales and use tax revenue increased \$3,209,060 or 5.1% from the previous fiscal year. In relation to this primary revenue source, the City has recovered from the negative economic factors that have affected the local and national economies.

Long-Term Planning and Major Initiatives

Urban Development

The City anticipates approximately \$21 million of public expenditures funded through various urban development projects and programs over the next three years. These projects are varied in type and size and are located in the Downtown and Haymarket areas, North 27th Street, Havelock, South Street and College View business areas, the Antelope Valley project area, West O, and in low-moderate income neighborhoods throughout the City.

Public financing will be provided by a variety of sources, including Tax Increment Financing (TIF), Parking Revenues, CDBG, HOME and Neighborhood Stabilization Program (NSP) grants, Advanced Land Acquisition funds, Special Assessments, and General Fund. Funding is often combined with developer, grant or other private sector funds.

The City's involvement will vary depending upon the project and could likely include property acquisition, relocation and demolition; housing rehabilitation and development; commercial development; and construction of public improvements including parking, sidewalks, infrastructure and streetscapes.

Ongoing and anticipated future projects include:

- Downtown Redevelopment Projects:

<ol style="list-style-type: none"> 1) West Haymarket, Block 2 project. 2) West Haymarket, Block 4 project. 3) Lumberworks Liner Building project. 4) Schwarz Paper project. 5) N Street protected bikeway. 6) P Street East project. 	<ol style="list-style-type: none"> 7) Block 68 housing. 8) Pershing Redevelopment project. 9) Telesis/Dairy House Phase II. 10) Gallery Alley project. 11) 700 O Street project.
--	---
- North 27th Street redevelopment efforts will continue on a project-by-project basis.
- New Downtown Parking Garage. Parking Services Division is completing a parking demand and occupancy study that will assist in determining the location of a new downtown parking facility.
- Antelope Valley Redevelopment Projects:
 - 1) 21st & N Street redevelopment project.
 - 2) Aspen housing.
 - 3) 23rd and O Street project.
- Havelock Redevelopment will continue on a project-by-project basis.
- University Place redevelopment of the former Green's Plumbing site.
- West O Street redevelopment will be on a project-by-project basis and the completion of the historic Detroit-Lincoln-Denver marker project.
- NW Corridor redevelopment (West Cornhusker Highway), including the Great American Sports Park.
- Innovation Campus redevelopment.
- 56th and Arbor Road redevelopment.
- Van Dorn and West Van Dorn area projects.
- Housing rehabilitation programs for quality, affordable housing and home ownership:
 - 1) Continuation of First-time Homebuyer and Owner-Occupied Housing Rehabilitation Loan programs.
 - 2) Partner with NeighborWorks-Lincoln for their Home Ownership Zone in Antelope Valley.
 - 3) Partner with other non-profit and for-profit housing organizations for affordable housing projects in low-to-moderate income neighborhoods under the Mayor's Stronger Safer Neighborhoods Program.
- Real estate major acquisition, negotiation and relocation projects:
 - 1) For effective transportation:

<ul style="list-style-type: none"> ✓ Yankee Hill Roadway, 70th to 81th Street. ✓ SW 40th Street overpass. ✓ 56th Street, Old Cheney to Shadow Pines. ✓ Coddington and West Van Dorn intersection improvements. ✓ Old Cheney Road, 70th to 84th Street. ✓ Pine Lake Road, 61st to Hwy 2. ✓ Rokeby Road, 70th to 84th Street. ✓ Yankee Hill, 81st to 91st Street. 	<ul style="list-style-type: none"> ✓ 14th and Cornhusker Hwy safety project. ✓ 33rd and Cornhusker Hwy RTSD project. ✓ 14th/Old Cheney/Warlick intersection. ✓ South 84th, Hwy 2 to Rokeby Road. ✓ East Beltway preliminary acquisitions. ✓ South Beltway preliminary acquisitions. ✓ Arterial/residential rehabs, executive order, traffic signals.
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 - 2) For environmental quality:

<ul style="list-style-type: none"> ✓ Park sites citywide. ✓ Stevens Creek sanitary sewer Phase III, IV & V. ✓ Yankee Hill water main, 56th to 84th Street. ✓ 98th Street water main, Holdrege to Alvo. 	<ul style="list-style-type: none"> ✓ West O sanitary sewer lift station. ✓ 6th and Old Cheney Road drainage project. ✓ Storm water bond projects. ✓ Miscellaneous sanitary sewer upgrade projects.
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- ✓ Conservation easements and wetlands acquisitions.
- ✓ East O Street sewer and water projects
- ✓ Additional projects made possible by Federal Infrastructure Stimulus funds.

3) Relocation activities:

- ✓ 1st and Cornhusker Hwy project.
- ✓ 14th/Old Cheney/Warlick intersection project.

- Workforce Investment Act funds received by the City provide employment skills to low-income adults and youth and also to individuals laid-off from area employers. Federal funding is provided for GED, Adult Education and Literacy Activities, secondary and post-secondary education, work experience with an emphasis on high wage and high demand occupations, and on the job training.

Examples of specialized projects this year include:

- 1) A specialized work readiness class for youth, which combines literacy and numeracy training, GED preparation and work readiness curriculum done in collaboration with Southeast Community College.
- 2) 1st Job Lincoln, a pilot program to provide paid summer internships in the information technology field to Lincoln high school students.
- 3) Partnering our services to compliment the launch of The Career Academy, a joint project between Southeast Community College and Lincoln Public Schools.
- 4) Transitioning service strategies to meet requirements of the new Workforce Innovation and Opportunity Act.

West Haymarket Project

The West Haymarket Redevelopment Project is a multi-faceted endeavor to revitalize underutilized property that lies on the western edge of Lincoln's downtown and Haymarket district. On May 11, 2010, the citizens of Lincoln voted to approve the issuance of arena bonds, which signaled approval for the project to proceed. The project involved the relocation and elimination of existing railroad tracks and completion of other site preparation activities, the construction of a 15,223 seat civic arena, a community ice center, private retail and office space, a new Amtrak Station, residential units, surface and decked parking, public gathering areas, street and utility improvements, landscaping, trails and walkways, pedestrian bridges, and environmental enhancements. The public portion of the project cost is estimated to be approximately \$375 million. The arena opened and became fully operational in September 2013.

The West Haymarket Joint Public Agency (WHJPA) is the governmental agency responsible for oversight of the project, for issuing bonds, collecting revenue, and making bond payments over the course of the Project. Participants in the agency are the City and the Board of Regents of the University of Nebraska.

Beginning January 1, 2011, an occupation tax was imposed on car rental, hotel, restaurant and bar charges within the City of Lincoln. This revenue has been pledged to repayment of any outstanding WHJPA bonds.

Antelope Valley Project

The City of Lincoln, Lower Platte South Natural Resource District and the University of Nebraska-Lincoln have joined together through an interlocal agreement to form the Joint Antelope Valley Authority (JAVA). JAVA has implemented the Antelope Valley project, which consists of storm water, transportation and community revitalization strategies.

The project has been successful in removing about 1,000 structures from the floodplain by creating an open waterway from Salt Creek Roadway to J Street. Traffic improvements include 12 new or replacement bridges, the elimination of railroad crossings, and 6.2 miles of new roadway including the Big X elevated intersection near the Devaney Sports Center. In addition to the new Union Plaza Park and new trails, revitalization efforts include the Assurity headquarters, Turbine Flats, several housing developments, the

Jayne Snyder Trails Center, Fleming Fields, and infrastructure improvements. Other redevelopment projects will progress as a result of the re-mapping of the floodplain.

Physical construction of all projects is now complete and final project documentation is expected to be completed in 2015 to close out project records.

The entire project is projected to cost \$246 million, which includes all components of the Antelope Valley project: community revitalization, flood control, and transportation.

Wastewater System

The Lincoln Wastewater System is projecting a capital improvements program in the amount of approximately \$67,695,000 over the 6-year period of fiscal year 2014-15 through fiscal year 2019-20. Of that total, approximately \$38,050,000 will be financed by revenue bonds, approximately \$1,200,000 will be financed by impact fees, with the remaining \$28,445,000 to come from utility revenue fees. The majority of these dollars are needed for replacement and maintenance of existing infrastructure, new infrastructure to serve development in various basins throughout the City, and improvements to both the Theresa Street and Northeast treatment plants.

Water System

The Lincoln Water System is projecting a capital improvements program in the amount of approximately \$101,700,200 over the 6-year period of fiscal year 2014-15 through 2019-20. Of these dollars, approximately \$19,000,000 will be financed through revenue bonds, approximately \$5,000,000 will be financed through impact fees, with the balance of \$77,700,200 coming from utility revenue fees. The major projects contributing to these total dollars include the installation of transmission lines, replacement mains, replacement and new wells, and additional storage reservoirs.

Streets and Highways

The 2014-2020 Streets and Highways capital improvements program and Transportation improvement program identify average annual expenditures of \$41 million for the next six years. Funding for these projects includes \$150 million in City revenues, \$32 million in federal aid, and \$62 million in other funds.

Infrastructure Impact Fees

The City's growth in both population and employment have created demands for new residential and nonresidential development, which in turn creates the need for additional public facilities, including water and wastewater systems, arterial streets, and neighborhood parks and trails. The City's laws, taxes, fees, utility charges, and other forms of revenue generated from new development do not provide sufficient funds to finance these new facilities.

In response to these funding needs the City of Lincoln passed an ordinance to provide for the imposition of impact fees to ensure that facilities are available to serve new growth and that new development bears its proportionate share of the cost of improvements to the City's facilities. Impact fees for all types of new construction have been set and adopted by the City Council and began June, 2003.

Pension Costs

The City currently contributes \$2 for every \$1 contributed by employees in the civilian retirement plans. In an effort to control this significant budget item, the City and the civilian unions, as well as non-union employees, have agreed to change these plans to a \$1.29 to \$1 match for new employees hired after a union specific effective date. Newly hired Department Directors and Mayoral Aides will receive a \$1 to \$1 match. The City is unable to legally change the match for current employees. The City anticipates saving 20 to 25 percent in retirement costs for each employee hired under this new arrangement.

Property Tax Collections

As of August 31, 2014, current tax collections by the County Treasurer were 97.42% of the tax levy, an increase of .11% from last year. Allocations of property tax levy by purpose are as follows:

<u>City Tax Levy by Purpose</u>	<u>2013-2014</u>	<u>2012-2013</u>	<u>2011-2012</u>
General Fund	.1889	.1854	.1876
Library	.0417	.0423	.0400
Social Security	.0155	.0157	.0163
Police and Fire Pension	.0378	.0382	.0348
General Obligation Debt	<u>.0319</u>	<u>.0342</u>	<u>.0371</u>
Total	<u>.3158</u>	<u>.3158</u>	<u>.3158</u>

Parking Facilities

The City of Lincoln operates the following parking garages:

<u>Facility</u>	<u>Number of Stalls</u>	<u>Date Opened</u>
Center Park	1,049	November, 1978
Cornhusker Square	390	December, 1983
University Square	428	April, 1990
Que Place	810	October, 1994
Carriage Park	701	February, 1995
Market Place	385	August, 2000
Haymarket	409	August, 2002
Larson Building	647	July, 2012
Lumberworks	450	January, 2014

The City's parking garages have been built to promote downtown redevelopment efforts by working with the private sector in providing necessary parking to various businesses in the downtown area.

Revenue generated by the parking facilities and on-street parking meters, as well as undesignated street construction funds, are pledged for debt service of the 2010B Parking Revenue Bonds, the 2011 Parking Revenue and Refunding Bonds, and 2012 Parking Revenue and Refunding Bonds. Comparative data for the past two fiscal years are presented in the following table:

	<u>2013-2014</u>	<u>2012-2013</u>
Operating Revenues	\$ 9,816,550	8,444,055
Operating Income Before Depreciation	5,605,077	4,524,377
Debt Service	2,483,115	2,483,115
Debt Service Coverage Ratio	2.26	1.82

Solid Waste Management

The City of Lincoln owns and operates a municipal solid waste landfill and a construction and demolition debris landfill that are subject to the U.S. Environmental Protection Agency rule *Solid Waste Disposal Facility Criteria*, which establishes closure and postclosure care requirements. As of August 31, 2014, the City estimates that it will incur costs approximating \$23 million to adhere to such requirements (see Note 18 of Notes to the Financial Statements).

Water and Wastewater System

The City's Wastewater Utility System showed an increase in operating revenues and an increase in operating income. Comparative data for the past two fiscal years is presented in the following table:

<u>Wastewater System</u>	<u>2013-2014</u>	<u>2012-2013</u>
Operating Revenues	\$25,860,215	24,577,769
Operating Income	4,737,120	4,276,920
Revenue Available For Debt Service	13,711,176	12,466,116
Debt Service	7,131,915	6,577,064
Debt Service Coverage Ratio	1.92	1.90

The City's Water Utility System showed an increase in operating revenues and a decrease in operating income. Comparative data for the past two fiscal years is presented in the following table:

<u>Water System</u>	<u>2013-2014</u>	<u>2012-2013</u>
Operating Revenues	\$32,623,034	31,981,733
Operating Income	8,258,038	8,418,613
Revenue Available For Debt Service	18,625,588	18,128,425
Debt Service	5,967,417	4,195,562
Debt Service Coverage Ratio	3.12	4.32

Lincoln Electric System (LES)

The City owns and operates its own electric utility system that is managed by an administrative board. Actions of the board with regard to rates, budgets, and long-term financing are subject to final review and approval by the City Council. In accordance with Section 4.24.090 of the Lincoln Municipal Code, LES operates on a January 1 - December 31, fiscal year. Audited financial information as of and for LES' fiscal year ended December 31, 2013, is included in the City's August 31, 2014, financial statements.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lincoln, Nebraska, for its comprehensive annual financial report for the fiscal year ended August 31, 2013. This was the thirty-first consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express my appreciation to all members of the department who assisted and contributed to its preparation. I would also like to thank the Mayor and members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Steve Hubka
Interim Finance Director





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Lincoln
Nebraska**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

August 31, 2013

Executive Director/CEO



FINANCIAL SECTION

Independent Auditor's Report

The Honorable Mayor
and Members of the City Council
City of Lincoln, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, Nebraska (the City) as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements 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 opinions on these financial statements based on our audit. We conducted our audit 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 City'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 City'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, Nebraska, as of August 31, 2014, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison information for the general fund and street construction fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 13 to the financial statements, in 2014 the City implemented the provisions of Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information in the introductory section listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Lincoln, Nebraska
February 24, 2015



MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Lincoln, Nebraska (the City) offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended August 31, 2014. Please consider this discussion in conjunction with the additional information provided in the Letter of Transmittal (beginning on page vii) and the transactions, events and conditions reflected in the City's financial statements (beginning on page 16).

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities at August 31, 2014, by \$1,798,628,904 (net position). Of this amount, \$408,268,857 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$69,112,858. Of this amount, \$44,474,285, or 64 percent, was an increase in governmental activities and \$24,638,573, or 36 percent, related to business-type activities. Please refer to the fund descriptions preceding the various combining statements (beginning on page 77) for information regarding constraints imposed on the City in spending available funds.
- As of August 31, 2014, the City's governmental funds reported combined ending fund balances of \$291,322,893, an increase of \$10,693,681 in comparison with the prior year. Of this total fund balance, 9 percent, or \$27,142,940, is available for spending at the City's discretion (unassigned fund balance).
- As of August 31, 2014, unrestricted fund balance (the total of committed, assigned, and unassigned fund balance) for the general fund was \$42,146,860, or 34 percent of total general fund expenditures. Following the implementation of GASB Statement No. 54, reference must be made to page 76 of this report for an accurate comparison of the City's General funds based on the structure used for budgeting.
- The City's total bonded debt increased by \$11,672,000 (1 percent) during the current fiscal year. The city issued \$75,525,000 in refunding bonds in the current year for a net present value savings of \$12,726,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and deferred outflows of resources, and the City's liabilities and deferred inflows of resources, with the net difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the year ended August 31, 2014. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general administrative services, public safety, streets and highways, health, planning and zoning, parks and recreation, libraries, aging services, job programs, urban development, mass transportation, engineering, self-insurance, and fleet management.

The business-type activities of the City include water, wastewater and electric utilities; ambulance transport; solid waste management; golf courses; entertainment centers; and parking.

The government-wide financial statements can be found on pages 16-17 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains thirty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, the Street Construction fund, and the West Haymarket JPA fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts a biennial appropriated budget for its general fund and most other governmental funds. A budgetary comparison statement has been provided for the General and Street Construction major funds to demonstrate compliance with this budget. The West Haymarket JPA major fund is not required to adopt an annual budget so a budgetary comparison has not been provided.

The basic governmental fund financial statements can be found on pages 18-23 of this report.

Proprietary funds – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its parking facilities and lots; golf courses; entertainment centers; solid waste management; ambulance services; and wastewater, water, and electric systems. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its data processing, engineering, insurance, fleet management, municipal services center operations, telecommunications, and copy services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Wastewater and Electric Systems, all of which are considered to be major funds of the City. Data from the other enterprise funds are combined into a single, aggregated presentation. Internal service funds are also combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for these funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the

resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 27-28 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-73 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its police and fire employees, and to provide other postemployment benefits. Required supplementary information can be found on pages 74-76 of this report.

The combining statements referred to earlier are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements and schedules can be found beginning on page 77 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,798,628,904 at August 31, 2014.

By far the largest portion of the City's net position (68 percent) reflects its investment in capital assets (e.g., land, buildings, improvements, utility plant, infrastructure, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City Of Lincoln
Condensed Statements of Net Position
August 31, 2014 and 2013**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 536,125,243	528,495,518	287,136,962	334,413,750	823,262,205	862,909,268
Capital Assets	1,033,606,965	980,298,540	1,524,122,083	1,477,846,626	2,557,729,048	2,458,145,166
Total Assets	<u>1,569,732,208</u>	<u>1,508,794,058</u>	<u>1,811,259,045</u>	<u>1,812,260,376</u>	<u>3,380,991,253</u>	<u>3,321,054,434</u>
Deferred Outflows of Resources	1,109,915	1,223,669	21,879,889	21,108,867	22,989,804	22,332,536
Long-Term Liabilities Outstanding	561,671,668	539,301,185	861,413,108	857,148,510	1,423,084,776	1,396,449,695
Other Liabilities	43,749,448	49,769,820	138,517,929	167,651,409	182,267,377	217,421,229
Total Liabilities	<u>605,421,116</u>	<u>589,071,005</u>	<u>999,931,037</u>	<u>1,024,799,919</u>	<u>1,605,352,153</u>	<u>1,613,870,924</u>
Net Position:						
Net Investment in Capital Assets	545,831,558	522,108,202	673,582,095	615,635,246	1,219,413,653	1,137,743,448
Restricted	155,105,392	144,925,083	15,841,002	13,167,482	170,946,394	158,092,565
Unrestricted	264,484,057	253,913,437	143,784,800	179,766,596	408,268,857	433,680,033
Total Net Position	<u>\$ 965,421,007</u>	<u>920,946,722</u>	<u>833,207,897</u>	<u>808,569,324</u>	<u>1,798,628,904</u>	<u>1,729,516,046</u>

An additional portion of the City's net position (9 percent) represents resources that are subject to external restrictions on their use. The remaining balance of unrestricted net position (23 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

At August 31, 2014, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

City Of Lincoln
Condensed Statements of Activities
For the Years Ended August 31, 2014 and 2013

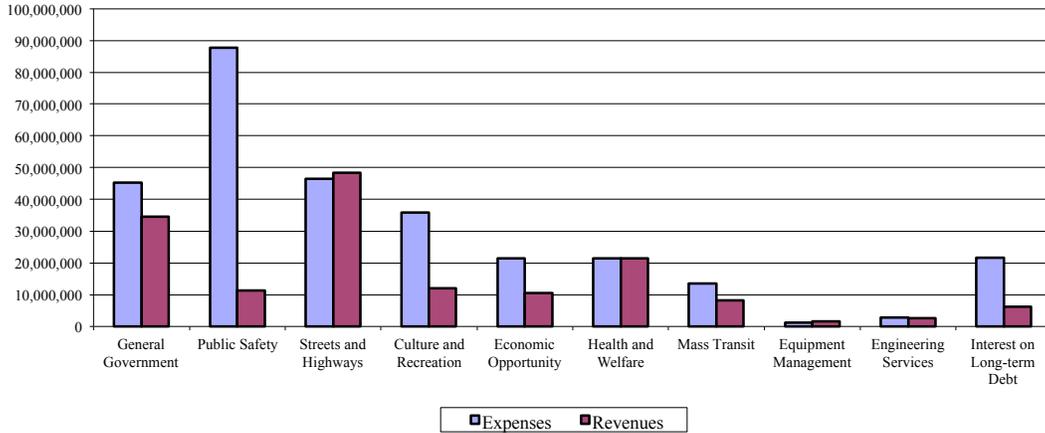
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$ 62,644,024	55,593,762	386,940,021	358,167,400	449,584,045	413,761,162
Operating Grants and Contributions	71,235,768	57,394,538	-	-	71,235,768	57,394,538
Capital Grants and Contributions	23,165,428	28,517,996	5,403,759	7,195,503	28,569,187	35,713,499
General Revenues:						
Property Tax	55,871,758	56,130,131	-	-	55,871,758	56,130,131
Sales and Use Tax	66,753,197	63,544,137	-	-	66,753,197	63,544,137
Occupation Tax	25,830,488	25,437,045	2,598,793	2,011,468	28,429,281	27,448,513
Other Taxes	21,973,301	20,220,063	-	-	21,973,301	20,220,063
Unrestricted Grants and Contributions	80,178	79,177	-	-	80,178	79,177
Unrestricted Investment Earnings (Loss)	2,855,984	(833,074)	1,757,946	(713,969)	4,613,930	(1,547,043)
Other	890,450	1,925,791	136,403	874,807	1,026,853	2,800,598
Total Revenues	331,300,576	308,009,566	396,836,922	367,535,209	728,137,498	675,544,775
Expenses:						
General Government	45,355,465	43,666,952	-	-	45,355,465	43,666,952
Public Safety	87,571,014	86,493,288	-	-	87,571,014	86,493,288
Streets and Highways	46,525,688	39,551,411	-	-	46,525,688	39,551,411
Culture and Recreation	35,878,349	29,419,132	-	-	35,878,349	29,419,132
Economic Opportunity	21,549,476	14,819,767	-	-	21,549,476	14,819,767
Health and Welfare	21,456,657	20,939,140	-	-	21,456,657	20,939,140
Mass Transit	13,582,835	13,453,926	-	-	13,582,835	13,453,926
Equipment Management	1,181,947	1,479,534	-	-	1,181,947	1,479,534
Engineering Services	2,774,223	2,570,054	-	-	2,774,223	2,570,054
Interest on Long-Term Debt	21,776,180	19,787,131	-	-	21,776,180	19,787,131
Golf Courses	-	-	3,473,671	3,404,885	3,473,671	3,404,885
Parking	-	-	8,078,478	7,144,511	8,078,478	7,144,511
Entertainment Facilities	-	-	13,000,711	4,345,398	13,000,711	4,345,398
Solid Waste Management	-	-	8,838,837	8,472,030	8,838,837	8,472,030
Ambulance Transport	-	-	5,564,099	4,931,379	5,564,099	4,931,379
Wastewater	-	-	23,864,691	23,116,057	23,864,691	23,116,057
Water	-	-	25,941,743	25,499,420	25,941,743	25,499,420
Electric	-	-	272,692,000	263,674,000	272,692,000	263,674,000
Total Expenses	297,651,834	272,180,335	361,454,230	340,587,680	659,106,064	612,768,015
Increase in Net Position Before Transfers	33,648,742	35,829,231	35,382,692	26,947,529	69,031,434	62,776,760
Transfers	10,825,543	11,290,702	(10,744,119)	(11,040,534)	81,424	250,168
Increase in Net Position	44,474,285	47,119,933	24,638,573	15,906,995	69,112,858	63,026,928
Net Position - Beginning	920,946,722	873,826,789	808,569,324	792,662,329	1,729,516,046	1,666,489,118
Net Position - Ending	\$ 965,421,007	920,946,722	833,207,897	808,569,324	1,798,628,904	1,729,516,046

GOVERNMENTAL ACTIVITIES

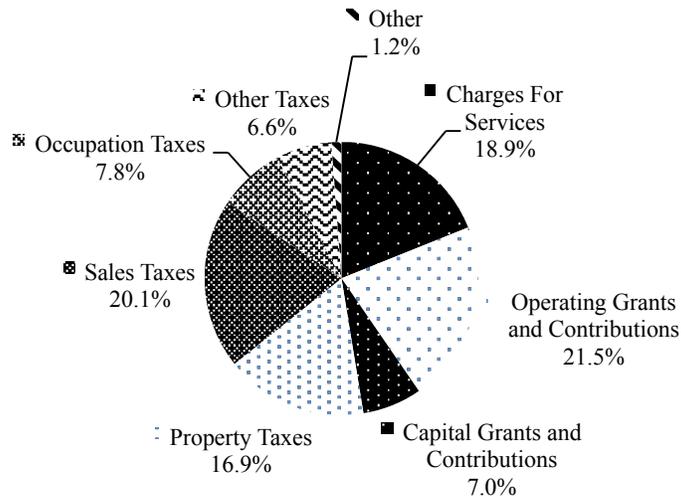
Governmental activities increased the City's net position by \$44,474,285, accounting for 64 percent of the total growth in the net position of the City of Lincoln. Key elements of this increase are as follows:

- Total grants and contributions increased by approximately \$8.5 million (9.9 percent) during 2014.
- Sales taxes increased by approximately \$3.2 million (5.1 percent) during 2014 after showing an increase of 1.9 percent in the prior year.
- Other taxes increased by approximately \$1.8 million (8.7 percent) in 2014, which includes a wheel tax increase of approximately \$1.5 million. Commencing September 1, 2013 the wheel tax fee schedule increased by 7.25 percent.
- Unrestricted investment earnings increased by approximately \$3.7 million in 2014 after showing a loss the prior year. The most significant reason for this change was the volatility of the investment market from the prior fiscal year to the current fiscal year. In 2014, the City's cash and investment pool had a market value adjustment downward in the amount of \$1,168,139 compared to a \$3,100,321 downward adjustment in 2013, therefore mitigating the impact to interest earnings.

Expenses and Program Revenues - Governmental Activities



Revenues By Source - Governmental Activities



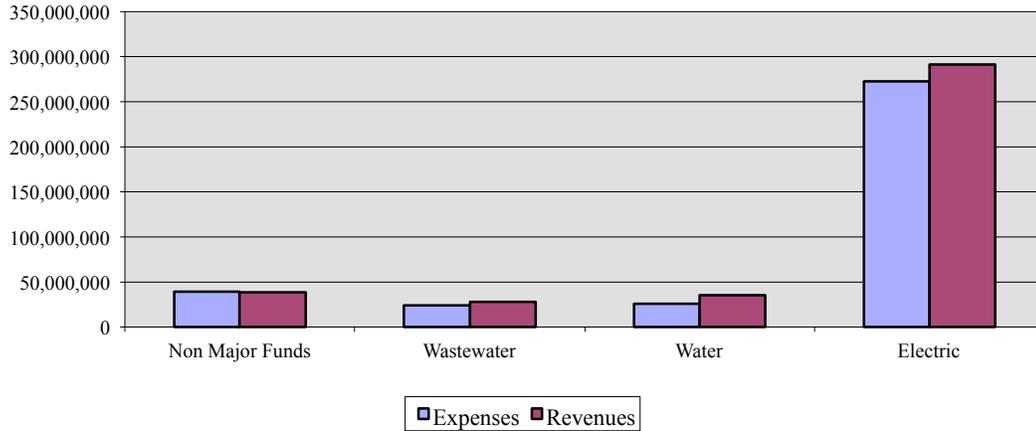
BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City’s net position by \$24,638,573, accounting for 36 percent of the total growth in the government’s net position. Key elements of this increase are as follows:

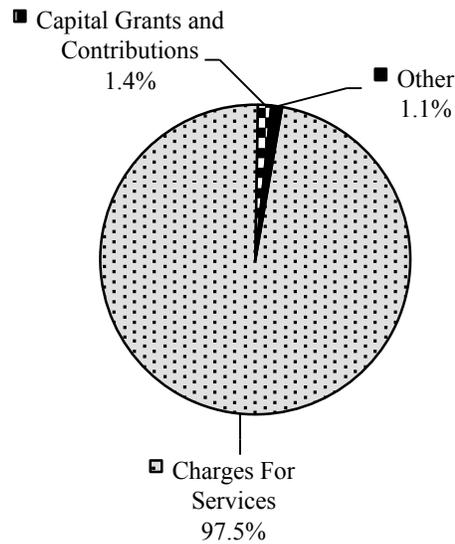
- Lincoln Electric System operating revenue in 2013 was 5.1 percent higher than 2012. Retail revenue was 4.0 percent higher due to the impact of a 2.6 percent rate increase on January 1, 2013. Wholesale revenue decreased 17.5 percent with an energy sales decrease of 9.3 percent. The city dividend for utility ownership added \$6.8 million to operating revenue, up \$.3 million due to increased net position (net position is used in the determination of the city dividend for utility ownership).

- Lincoln Water and Wastewater Systems had increased service charge revenues due to a 5% increase implemented November 2013. Total operating expenses increased primarily due to higher personnel costs, increased depreciation expense, and increases in utility costs.

Expenses And Program Revenues - Business-type Activities



Revenues By Source - Business-type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

GOVERNMENTAL FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary spending at the end of the fiscal year.

As of August 31, 2014, the City's governmental funds reported combined ending fund balances of \$291,322,893, an increase of \$10,693,681 in comparison with the prior year. Of this total amount, 9 percent constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is not in spendable form (\$3,161,680), legally required to be maintained intact (\$37,160,000), restricted for particular purposes (\$149,109,449), committed for particular purposes (\$1,800,869), or assigned for particular purposes (\$72,947,955).

The General Fund is the chief operating fund of the City. At August 31, 2014, the unrestricted fund balance of the General Fund was \$42,146,860, while total fund balance reached \$57,464,383. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents 34 percent of total general fund expenditures, while total fund balance represents 47 percent of that same amount.

The fund balance of the City's General Fund increased by \$2,245,147 during 2014. For the 2013 fiscal year, appropriated General Fund balance, used as a funding source for the budget, decreased by 40.6 percent over the prior year. It increased 72 percent for the 2014 fiscal year. The City has converted to a biennial budget and allocation of balances is spread over a two-year budget cycle.

The Street Construction Fund has a total fund balance of \$74,350,375, which is to be used in the construction and maintenance of streets and highways. The net increase in fund balance during 2014 in the Street Construction Fund was \$16,334,337, the result of several significant projects that have received funding but for various reasons the actual construction has been delayed.

The West Haymarket JPA Fund had a fund balance of \$23,329,047, which is to be used for funding improvements of the West Haymarket Redevelopment Project and debt service on the related debt. The current year change in fund balance of (\$9,479,391) was expected as bond proceeds are spent on the redevelopment projects.

PROPRIETARY FUNDS

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Wastewater System, Water System, Electric System, and other enterprise funds amounted to \$26,173,693, \$30,161,406, \$97,512,000 and (\$10,062,299), respectively, at August 31, 2014 (December 31, 2013 for LES). Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were relatively minor (increase of \$176,390) and can be briefly summarized as follows:

Expenditure appropriations:

- \$(3,474,733) in miscellaneous changes in general government activities.
- \$2,001,605 in increases allocated to public safety.
- \$(251,628) in decreases to streets & highways.
- \$56,006 in increases allocated to parks and recreation.
- \$1,845,140 in increases allocated for General Fund transfers to other City funds.

Variances between actual General Fund revenues and expenditures and the final amended budget include the following:

- \$4,601,279 positive variance in real estate and personal property tax. Actual property tax collections were 97.42 percent of the 2013 levy, while estimated tax revenue is based on 90 percent collections as provided by the City Charter.
- \$3,963,181 positive variance in miscellaneous general government expenditures. Significant savings were realized in several service line items that are reappropriated to cover future expenditures.
- \$3,876,458 positive variance in police expenditures. Remaining balances are reappropriated to the next year to assist with one-time expenditures that are not ongoing operating expenditures.
- \$2,599,631 negative variance in street lighting function expenditures. This variance was the result of additions related to both normal construction as well as Antelope Valley Project construction.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of August 31, 2014, amounts to \$2,557,729,048 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, streets, bridges, storm sewers, electric plant, and water and sewer plant. The total increase in the City's investment in capital assets for 2014 was 4 percent (a 5.4 percent increase for governmental activities and a 3.1 percent increase for business-type activities).

Major capital asset events during 2014 included the following:

- The City increased its investment in infrastructure, including streets, bridges, drainage and traffic systems, in excess of \$35 million.
- The West Haymarket Redevelopment Project increased capital assets by approximately \$38.6 million, which includes roads and utility work, arena construction, environmental remediation, and parking.
- The City invested in its mass transit system with the purchase of five new buses at a cost of approximately \$2.4 million.
- The City parking system's investment in the Lumberworks Parking Garage increased by approximately \$2 million.
- The LES Central Lincoln Reliability Project includes installation of 5.2 miles of transmission lines to replace aging cables, meet the growing demand for electricity in central Lincoln and improve system reliability. This project was completed at a total cost of \$25.4 million.
- Construction of a 4MW landfill gas-based power generating facility sourced from the Bluff Road Landfill was completed at a total cost of \$12 million.
- A multi-year project by LES to install underground duct adjacent to existing aging underground facilities to allow faster restoration of service should the cable fail was started in the summer of 2012 with a target completion date of 2027 and a total project cost of \$33.3 million.

City Of Lincoln
Capital Assets (net of depreciation)
August 31, 2014 and 2013

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 141,724,149	139,434,473	24,440,188	24,238,655	166,164,337	163,673,128
Buildings	267,885,080	244,772,550	156,269,518	137,885,757	424,154,598	382,658,307
Improvements Other Than Buildings	59,970,122	42,302,711	464,616,356	456,108,511	524,586,478	498,411,222
Machinery and Equipment	34,330,128	35,076,357	13,726,707	13,711,274	48,056,835	48,787,631
Utility Plant	-	-	779,726,000	757,423,000	779,726,000	757,423,000
Infrastructure	466,235,722	455,365,190	-	-	466,235,722	455,365,190
Construction-in-progress	63,461,764	63,347,259	85,343,314	88,479,429	148,805,078	151,826,688
Total	\$ 1,033,606,965	980,298,540	1,524,122,083	1,477,846,626	2,557,729,048	2,458,145,166

Additional information on the City's capital assets can be found in Note 7 of the notes to the financial statements on pages 46-48 of this report.

LONG-TERM DEBT

At August 31, 2014, the City of Lincoln had total bonded debt outstanding of \$1,205,916,000. Of this amount, \$458,566,000 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City Of Lincoln
Outstanding Bonded Debt
August 31, 2014 and 2013
(dollar amounts in thousands)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$ 458,566	439,274	-	-	458,566	439,274
Tax Supported Bonds	3,690	4,470	-	-	3,690	4,470
Revenue Bonds	-	-	743,660	750,500	743,660	750,500
Total	\$ 462,256	443,744	743,660	750,500	1,205,916	1,194,244

The City's total bonded debt increased by \$11,672,000 (1 percent) in the current fiscal year. LES refunding bonds were issued in the amount of \$75,525,000 to refund \$53,710,000 of outstanding bonds and \$24,000,000 of outstanding commercial paper notes.

The City maintains the following credit ratings:

	Moody's Investors Service	Standard And Poor's	Fitch Investors Service
General Obligation Bonds	Aaa	AAA	-
West Haymarket JPA Bonds	Aa1	AAA	-
Antelope Valley Project Bonds	Aa2	AA	-
Water Revenue Bonds	Aa1	AA	-
Wastewater Revenue Bonds			
MBIA insured	Aaa	AAA	-
Underlying	Aa2	AA+	-
Parking Revenue Bonds	A1	A	-
Lincoln Electric System Revenue Bonds	-	AA	AA

Under the City's Home Rule Charter, there is no legal debt limit.

Additional information on the City's long-term debt can be found in Note 9 of the notes to the financial statements on pages 50-56 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2014-2016 biennial budget prepared for the City of Lincoln included the following factors relative to the 2014-2015 fiscal year.

- Property tax revenue required to fund the 2014-2015 budget increased \$1,356,580 from the prior year. Total change in the tax base is 1.573 percent. Voter approval of a \$7,900,000 stormwater bond issue and the corresponding tax levy to fund debt service payments requires a tax rate of .31958, or 1.20% increase over the prior year tax rate.
- The adequacy of fees charged for City service cost recovery is examined each year and some fee increases are included in each budget. Without periodic increases in fees, amounts collected, or other revenue adjustments, inflationary and other cost increases would need to be covered by additional property tax revenue or the levels of service provided would need to be reduced. Revenue adjustments in 2015 include increased Parks and Recreation program fees, \$210,673; increased tax increment financing administrative fees, \$100,000; and increased various environmental health fees, \$67,498.
- Utility rates are increased by an average of 3 percent, resulting in additional 2015 revenues of \$1,167,000 for Water and \$875,000 for Wastewater.
- Sales tax collections for 2014 finished .03 percent ahead of projections. 2015 projections reflect a 4.5 percent increase over 2014 actual collections. Refunds in 2014 were down 4.6% from the prior year.
- Staffing changes included in the 2014-2015 budget result in an increase for all funds of 9.99 full-time equivalents.
- Health care premiums for the City's self-insured health plan for employees are projected to increase 12% in 2015.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Lincoln's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Lincoln, Finance Department, 555 South 10th Street, Lincoln, NE 68508. This report and other financial information are also available online at www.lincoln.ne.gov/city/finance/.

BASIC FINANCIAL STATEMENTS

CITY OF LINCOLN, NEBRASKA
STATEMENT OF NET POSITION
AUGUST 31, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 28,668,002	24,206,275	52,874,277
Investments	245,901,757	114,711,047	360,612,804
Receivables, (Net of Allowance for Uncollectibles)	33,870,368	48,254,376	82,124,744
Internal Balances	(1,514,104)	1,514,104	-
Due from Other Governments	22,333,967	2,865,706	25,199,673
Inventories	2,533,327	16,509,191	19,042,518
Plant Operation Assets	-	11,938,000	11,938,000
Prepaid Items	1,024,407	2,215,615	3,240,022
Other Assets	126,575	6,049,400	6,175,975
Restricted Assets:			
Cash and Cash Equivalents	235,025	8,638,977	8,874,002
Investments	37,160,000	50,221,408	87,381,408
Receivables	-	12,863	12,863
Investment in Joint Venture	165,785,919	-	165,785,919
Capital Assets:			
Non-depreciable	205,185,913	109,783,502	314,969,415
Depreciable (Net)	828,421,052	1,414,338,581	2,242,759,633
Total Assets	<u>1,569,732,208</u>	<u>1,811,259,045</u>	<u>3,380,991,253</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Loss on Refunding	<u>1,109,915</u>	<u>21,879,889</u>	<u>22,989,804</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	18,311,240	20,551,161	38,862,401
Accrued Liabilities	6,549,723	40,756,548	47,306,271
Due to Other Governments	4,715,354	296,244	5,011,598
Unearned Revenue	9,201,295	2,768,163	11,969,458
Notes Payable	-	64,500,000	64,500,000
Accrued Interest Payable	4,971,836	9,645,813	14,617,649
Noncurrent Liabilities:			
Payable within One Year	28,890,654	40,478,374	69,369,028
Payable in More Than One Year	532,781,014	820,934,734	1,353,715,748
Total Liabilities	<u>605,421,116</u>	<u>999,931,037</u>	<u>1,605,352,153</u>
NET POSITION			
Net Investment in Capital Assets	545,831,558	673,582,095	1,219,413,653
Restricted for:			
Debt Service	5,635,629	8,712,351	14,347,980
Capital Projects	51,901,487	7,122,746	59,024,233
Grantor Loan Programs	18,759,000	-	18,759,000
Other	12,098,383	5,905	12,104,288
Trust Donations:			
Expendable	1,987,925	-	1,987,925
Nonexpendable	160,000	-	160,000
Health Care:			
Expendable	27,562,968	-	27,562,968
Nonexpendable	37,000,000	-	37,000,000
Unrestricted	<u>264,484,057</u>	<u>143,784,800</u>	<u>408,268,857</u>
Total Net Position	<u>\$ 965,421,007</u>	<u>833,207,897</u>	<u>1,798,628,904</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LINCOLN, NEBRASKA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Governmental Activities:							
General Government	\$ (45,355,465)	31,498,610	2,162,384	873,982	(10,820,489)	-	(10,820,489)
Public Safety	(87,571,014)	7,446,309	3,478,516	383,396	(76,262,793)	-	(76,262,793)
Streets and Highways	(46,525,688)	5,162,445	27,752,409	15,357,988	1,747,154	-	1,747,154
Culture and Recreation	(35,878,349)	4,328,220	2,232,512	5,455,367	(23,862,250)	-	(23,862,250)
Economic Opportunity	(21,549,476)	918,794	9,688,637	-	(10,942,045)	-	(10,942,045)
Health and Welfare	(21,456,657)	5,332,189	16,147,206	-	22,738	-	22,738
Mass Transit	(13,582,835)	3,138,094	5,154,647	-	(5,290,094)	-	(5,290,094)
Equipment Management	(1,181,947)	1,672,058	-	-	490,111	-	490,111
Engineering Services	(2,774,223)	2,593,500	-	2,160	(178,563)	-	(178,563)
Interest on Long-Term Debt	(21,776,180)	553,805	4,619,457	1,092,535	(15,510,383)	-	(15,510,383)
Total Governmental Activities	(297,651,834)	62,644,024	71,235,768	23,165,428	(140,606,614)	-	(140,606,614)
Business-Type Activities:							
Golf	(3,473,671)	3,312,321	-	-	-	(161,350)	(161,350)
Parking System	(8,078,478)	10,634,366	-	-	-	2,555,888	2,555,888
Municipal Auditorium	(1,538,108)	1,097,606	-	-	-	(440,502)	(440,502)
Municipal Arena	(11,462,603)	11,152,759	-	-	-	(309,844)	(309,844)
Solid Waste Management	(8,838,837)	6,408,559	-	-	-	(2,430,278)	(2,430,278)
Emergency Medical Services	(5,564,099)	5,850,715	-	-	-	286,616	286,616
Wastewater System	(23,864,691)	25,804,120	-	1,848,707	-	3,788,136	3,788,136
Water System	(25,941,743)	32,558,575	-	2,412,052	-	9,028,884	9,028,884
Electric System	(272,692,000)	290,121,000	-	1,143,000	-	18,572,000	18,572,000
Total Business-Type Activities	(361,454,230)	386,940,021	-	5,403,759	-	30,889,550	30,889,550
Total	\$ (659,106,064)	449,584,045	71,235,768	28,569,187	(140,606,614)	30,889,550	(109,717,064)
General Revenues:							
Property Tax					55,871,758	-	55,871,758
Motor Vehicle Tax					4,737,197	-	4,737,197
Wheel Tax					17,173,865	-	17,173,865
Sales and Use Tax					66,753,197	-	66,753,197
Sundry and In Lieu Tax					62,239	-	62,239
Occupation Tax					25,830,488	2,598,793	28,429,281
Unrestricted Grants and Contributions					80,178	-	80,178
Unrestricted Investment Earnings					2,855,984	1,757,946	4,613,930
Miscellaneous General Revenues					890,450	136,403	1,026,853
Transfers					10,825,543	(10,744,119)	81,424
Total General Revenues and Transfers					185,080,899	(6,250,977)	178,829,922
Change in Net Position					44,474,285	24,638,573	69,112,858
Net Position - Beginning					920,946,722	808,569,324	1,729,516,046
Net Position - Ending					\$ 965,421,007	833,207,897	1,798,628,904

The notes to the financial statements are an integral part of this statement.

CITY OF LINCOLN, NEBRASKA
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2014

	General Fund	Street Construction Fund	West Haymarket JPA Fund	Other Governmental Funds	Total
ASSETS					
Cash and Cash Equivalents	\$ 4,165,766	8,196,106	2,495,117	11,674,208	26,531,197
Investments	42,005,301	56,561,198	37,245,702	118,165,049	253,977,250
Receivables, (Net of Allowance for Uncollectibles)	5,838,022	321,073	2,040,874	24,783,229	32,983,198
Due from Other Funds	1,749,305	9,194,735	108,592	1,608,738	12,661,370
Due from Other Governments	12,083,534	5,258,534	779,344	4,125,902	22,247,314
Inventories	446,935	604,665	-	575,397	1,626,997
Assets Held for Resale	-	-	-	126,575	126,575
Prepaid Items	1,264,948	31,710	238,025	-	1,534,683
Total Assets	<u>67,553,811</u>	<u>80,168,021</u>	<u>42,907,654</u>	<u>161,059,098</u>	<u>351,688,584</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts Payable	1,383,696	3,725,681	5,140,578	2,058,921	12,308,876
Contracts Payable	-	171,999	1,890,015	1,673,796	3,735,810
Accrued Liabilities	3,383,310	206,671	183,000	2,105,893	5,878,874
Due to Other Funds	2,069,397	275,470	117,632	12,935,782	15,398,281
Due to Other Governments	1,487,625	1,489	2,354,408	989,312	4,832,834
Due to Other Contractors	-	-	-	759,489	759,489
Unearned Revenue	465	-	8,822,008	244,028	9,066,501
Total Liabilities	<u>8,324,493</u>	<u>4,381,310</u>	<u>18,507,641</u>	<u>20,767,221</u>	<u>51,980,665</u>
Deferred Inflows of Resources:					
Unavailable Revenues	1,764,935	1,436,336	1,070,966	4,112,789	8,385,026
Fund Balances:					
Nonspendable	1,711,883	636,375	238,025	37,735,397	40,321,680
Restricted	13,605,640	40,116,554	11,352,575	84,034,680	149,109,449
Committed	-	-	-	1,800,869	1,800,869
Assigned	14,859,083	33,597,446	11,738,447	12,752,979	72,947,955
Unassigned	27,287,777	-	-	(144,837)	27,142,940
Total Fund Balances	<u>57,464,383</u>	<u>74,350,375</u>	<u>23,329,047</u>	<u>136,179,088</u>	<u>291,322,893</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 67,553,811</u>	<u>80,168,021</u>	<u>42,907,654</u>	<u>161,059,098</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,009,150,396
Investment in joint venture is not a financial resource and, therefore, is not reported in the funds.	165,785,919
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	8,385,026
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	29,479,048
Accrued pension contribution, long-term construction contracts and other liabilities require the use of unavailable financial resources and, therefore, are not reported in the funds.	(4,348,987)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(534,353,288)
Net position of governmental activities	<u>\$ 965,421,007</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LINCOLN, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

	General Fund	Street Construction Fund	West Haymarket JPA Fund	Other Governmental Funds	Total
REVENUES					
Taxes:					
Property	\$ 31,335,264	-	-	24,485,857	55,821,121
Motor Vehicle	4,737,197	-	-	-	4,737,197
Wheel	-	-	-	17,173,865	17,173,865
Sales and Use	66,753,197	-	-	-	66,753,197
Sundry and In Lieu	49,990	-	-	12,453	62,443
Occupation	11,338,968	-	14,491,520	-	25,830,488
Special Assessment	599	1,655	-	1,870,974	1,873,228
Intergovernmental	3,323,906	41,261,237	3,941,404	30,852,006	79,378,553
Permits and Fees	5,436,299	3,836,118	2,550	14,519,435	23,794,402
Reimbursement for Services	6,809,049	223,907	5,991,586	1,258,630	14,283,172
Court Settlements	177,476	87,644	-	-	265,120
Program Income	-	-	-	51,071	51,071
Investment Earnings	526,348	474,401	746,835	8,823,437	10,571,021
Donations	1,532,147	-	500,000	1,121,764	3,153,911
Keno Proceeds	-	-	-	4,189,006	4,189,006
Miscellaneous	582,958	839,179	846,732	1,057,196	3,326,065
Total Revenues	<u>132,603,398</u>	<u>46,724,141</u>	<u>26,520,627</u>	<u>105,415,694</u>	<u>311,263,860</u>
EXPENDITURES					
Current:					
General Government	32,008,504	-	7,091,430	11,944,162	51,044,096
Public Safety	64,167,802	-	-	8,665,896	72,833,698
Streets and Highways	9,012,565	12,040,223	-	1,606	21,054,394
Culture and Recreation	13,002,940	-	2,000,000	10,169,160	25,172,100
Economic Opportunity	4,110,184	-	-	9,682,557	13,792,741
Health and Welfare	273,584	-	-	21,824,370	22,097,954
Mass Transit	-	-	-	14,419,436	14,419,436
Debt Service	41,051	44,413	16,114,551	20,249,197	36,449,212
Capital Outlay	-	37,196,180	38,559,116	17,421,991	93,177,287
Total Expenditures	<u>122,616,630</u>	<u>49,280,816</u>	<u>63,765,097</u>	<u>114,378,375</u>	<u>350,040,918</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>9,986,768</u>	<u>(2,556,675)</u>	<u>(37,244,470)</u>	<u>(8,962,681)</u>	<u>(38,777,058)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	11,128,450	20,338,851	-	32,443,684	63,910,985
Transfers Out	(22,247,671)	(5,492,935)	(657,266)	(24,998,643)	(53,396,515)
Issuance of Debt	3,220,000	3,865,000	28,175,000	2,415,000	37,675,000
Premium on Debt Issued	148,215	180,096	241,675	112,667	682,653
Sale of Capital Assets	9,385	-	5,670	583,561	598,616
Total Other Financing Sources (Uses)	<u>(7,741,621)</u>	<u>18,891,012</u>	<u>27,765,079</u>	<u>10,556,269</u>	<u>49,470,739</u>
Net Change in Fund Balances	<u>2,245,147</u>	<u>16,334,337</u>	<u>(9,479,391)</u>	<u>1,593,588</u>	<u>10,693,681</u>
Fund Balances - Beginning	<u>55,219,236</u>	<u>58,016,038</u>	<u>32,808,438</u>	<u>134,585,500</u>	<u>280,629,212</u>
Fund Balances - Ending	<u>\$ 57,464,383</u>	<u>74,350,375</u>	<u>23,329,047</u>	<u>136,179,088</u>	<u>291,322,893</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LINCOLN, NEBRASKA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2014

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	10,693,681
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		52,352,498
The net effect of various miscellaneous transactions involving capital contributions is to increase net position.		3,493,880
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds: Change in revenues in fund statements previously recognized in the statement of activities.		(843,298)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(24,848,219)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		1,364,066
Changes in the net pension obligation and the net OPEB obligation do not represent financial activity in governmental funds.		(706,656)
Changes in the interest in the underlying net position of the joint venture do not represent financial activity in governmental funds.		366,057
Internal service funds are used by management to charge the costs of certain services to individual funds. The net expense of the internal service funds is reported within governmental activities.		<u>2,602,276</u>
Change in net position of governmental activities	\$	<u><u>44,474,285</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF LINCOLN, NEBRASKA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED AUGUST 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Real Estate and Personal Property Tax	\$ 33,466,673	33,466,673	38,067,952	4,601,279
Taxes Collected by Others	66,370,001	66,370,001	66,393,391	23,390
Sundry Taxes and In Lieu	58,736	58,736	50,367	(8,369)
Occupation Taxes	11,963,655	11,963,655	11,496,012	(467,643)
Intergovernmental	1,502,534	1,502,534	1,581,646	79,112
Permits and Fees	3,537,334	3,537,334	3,479,575	(57,759)
Reimbursement for Services	3,259,926	3,259,926	3,314,886	54,960
Court Fees	809,000	809,000	765,944	(43,056)
Court Settlements	177,476	177,476	177,476	-
Recreation Receipts	2,579,769	2,579,769	2,328,276	(251,493)
Investment Earnings	165,334	165,334	403,496	238,162
Donations	1,531,494	1,531,494	1,531,494	-
Rental Income	518,823	518,823	560,934	42,111
Program Income	332,000	332,000	332,000	-
Miscellaneous	311,960	311,960	370,451	58,491
Total Revenues	<u>126,584,715</u>	<u>126,584,715</u>	<u>130,853,900</u>	<u>4,269,185</u>
Expenditures:				
General Government:				
Legislative	294,472	294,472	244,854	49,618
Executive	1,431,272	1,447,215	1,354,773	92,442
Financial Administration	2,827,200	2,852,172	3,607,161	(754,989)
Law	2,843,364	2,880,883	2,746,992	133,891
Personnel Administration	1,001,479	1,015,238	959,485	55,753
Planning and Zoning	1,805,036	1,847,314	1,711,148	136,166
Urban Development	949,697	942,033	876,348	65,685
Miscellaneous	28,088,275	24,486,735	20,523,554	3,963,181
Total General Government	<u>39,240,795</u>	<u>35,766,062</u>	<u>32,024,315</u>	<u>3,741,747</u>
Public Safety:				
Police	36,219,339	36,950,321	33,073,863	3,876,458
Fire	23,984,314	25,222,273	24,531,236	691,037
Traffic Engineering	1,459,981	1,492,645	1,597,100	(104,455)
Total Public Safety	<u>61,663,634</u>	<u>63,665,239</u>	<u>59,202,199</u>	<u>4,463,040</u>
Streets and Highways:				
Street Maintenance	3,079,278	2,827,650	2,227,082	600,568
Street Lighting	3,831,648	3,831,648	6,431,279	(2,599,631)
Total Streets and Highways	<u>6,910,926</u>	<u>6,659,298</u>	<u>8,658,361</u>	<u>(1,999,063)</u>
Culture and Recreation:				
Parks and Recreation	12,752,467	12,808,473	12,666,884	141,589
Libraries	201,812	201,812	201,812	-
Total Culture and Recreation	<u>12,954,279</u>	<u>13,010,285</u>	<u>12,868,696</u>	<u>141,589</u>
Economic Opportunity:				
Lincoln Area Agency on Aging	291,372	291,372	291,372	-
Job Programs	27,915	27,915	27,915	-
Total Economic Opportunity	<u>319,287</u>	<u>319,287</u>	<u>319,287</u>	<u>-</u>
Health and Welfare:				
Lincoln/Lancaster County Health	271,423	271,423	271,423	-
Debt Service:				
Issuance and Management Costs	-	-	39,803	(39,803)
Total Expenditures	<u>121,360,344</u>	<u>119,691,594</u>	<u>113,384,084</u>	<u>6,307,510</u>
Excess of Revenues Over Expenditures	<u>5,224,371</u>	<u>6,893,121</u>	<u>17,469,816</u>	<u>10,576,695</u>
Other Financing Sources (Uses):				
Transfers In	11,002,318	11,002,318	11,122,666	120,348
Transfers Out	(27,744,013)	(29,589,153)	(26,532,453)	3,056,700
Proceeds from Issuance of Debt	3,220,000	3,220,000	3,220,000	-
Premium on Debt Issued	-	-	148,215	148,215
Sale of Capital Assets	21,000	21,000	6,052	(14,948)
Total Other Financing Sources (Uses)	<u>(13,500,695)</u>	<u>(15,345,835)</u>	<u>(12,035,520)</u>	<u>3,310,315</u>
Net Change in Fund Balances	<u>(8,276,324)</u>	<u>(8,452,714)</u>	<u>5,434,296</u>	<u>13,887,010</u>
Fund Balances - Beginning	<u>34,539,973</u>	<u>34,539,973</u>	<u>34,539,973</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 26,263,649</u>	<u>26,087,259</u>	<u>39,974,269</u>	<u>13,887,010</u>

The notes to the financial statements are an integral part of this statement.



CITY OF LINCOLN, NEBRASKA
STREET CONSTRUCTION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED AUGUST 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special Assessment	\$ -	-	1,883	1,883
Intergovernmental	9,318,377	9,318,377	22,389,899	13,071,522
Permits and Fees	-	-	365,226	365,226
Reimbursement for Services	400,000	400,000	106,016	(293,984)
Investment Earnings	62,200	62,200	223,975	161,775
Miscellaneous	-	-	6,401	6,401
Total Revenues	<u>9,780,577</u>	<u>9,780,577</u>	<u>23,093,400</u>	<u>13,312,823</u>
Expenditures -- Streets and Highways:				
Personal Services	6,674,360	6,674,360	6,489,193	185,167
Materials and Supplies	1,029,900	1,029,900	1,406,570	(376,670)
Other Services and Charges	4,596,631	4,582,631	4,560,551	22,080
Capital Outlay	72,321	86,321	50,917	35,404
Total Expenditures	<u>12,373,212</u>	<u>12,373,212</u>	<u>12,507,231</u>	<u>(134,019)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,592,635)</u>	<u>(2,592,635)</u>	<u>10,586,169</u>	<u>13,178,804</u>
Other Financing Sources (Uses):				
Transfers In	20,141,570	20,171,570	20,171,570	-
Transfers Out	(5,492,935)	(5,492,935)	(5,492,935)	-
Issuance of Debt	3,865,000	3,865,000	3,865,000	-
Premium on Debt Issued	180,096	180,096	180,096	-
Total Other Financing Sources (Uses)	<u>18,693,731</u>	<u>18,723,731</u>	<u>18,723,731</u>	<u>-</u>
Net Change in Fund Balances	16,101,096	16,131,096	29,309,900	13,178,804
Amount Budgeted on Project Basis	(13,375,182)	(13,375,182)	(13,375,182)	-
Fund Balances - Beginning	<u>54,207,420</u>	<u>54,207,420</u>	<u>54,207,420</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 56,933,334</u>	<u>56,963,334</u>	<u>70,142,138</u>	<u>13,178,804</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LINCOLN, NEBRASKA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2014

	Business-Type Activities -- Enterprise Funds				Total	Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds		
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$ 1,575,395	1,618,648	17,513,000	3,499,232	24,206,275	2,136,805
Investments	10,569,443	10,632,000	67,463,000	4,486,157	93,150,600	15,569,308
Restricted Assets:						
Restricted Cash and Cash Equivalents	-	-	5,543,000	-	5,543,000	-
Investments	-	-	11,400,000	-	11,400,000	-
Receivables, (Net of Allowance for Uncollectibles)	2,168,903	3,334,203	20,093,000	3,155,158	28,751,264	887,170
Unbilled Revenues	2,632,016	4,249,096	12,622,000	-	19,503,112	-
Due from Other Funds	690,361	1,882,821	-	267,169	2,840,351	1,865,797
Due from Other Governments	2,249,364	567,771	-	48,571	2,865,706	86,653
Inventories	91,515	940,480	15,031,000	446,196	16,509,191	906,330
Plant Operation Assets	-	-	11,938,000	-	11,938,000	-
Prepaid Expenses	-	-	2,179,000	36,615	2,215,615	402,644
Total Current Assets	19,976,997	23,225,019	163,782,000	11,939,098	218,923,114	21,854,707
Noncurrent Assets:						
Investments	8,080,552	9,229,200	-	4,250,695	21,560,447	13,515,199
Costs Recoverable From Future Billings	623,558	550,842	4,875,000	-	6,049,400	-
Restricted Assets:						
Cash and Cash Equivalents	-	-	49,000	3,046,977	3,095,977	235,025
Investments	7,572,112	7,177,485	19,079,000	4,992,811	38,821,408	-
Receivables	-	-	-	12,863	12,863	-
Due from Other Funds	-	-	-	16,679	16,679	-
Total Restricted Assets	7,572,112	7,177,485	19,128,000	8,069,330	41,946,927	235,025
Capital Assets:						
Land	6,205,956	5,453,772	-	12,780,460	24,440,188	1,306,950
Buildings	79,990,077	79,793,575	-	80,413,883	240,197,535	13,177,613
Improvements Other Than Buildings	277,139,436	346,685,339	-	48,289,975	672,114,750	500,013
Machinery and Equipment	9,538,309	9,761,146	-	15,991,108	35,290,563	32,147,936
Utility Plant	-	-	1,352,479,000	-	1,352,479,000	-
Construction in Progress	9,228,960	4,333,124	71,680,000	101,230	85,343,314	69,993
Less Accumulated Depreciation	(120,022,015)	(131,160,618)	(572,753,000)	(61,807,634)	(885,743,267)	(23,658,856)
Total Capital Assets, Net	262,080,723	314,866,338	851,406,000	95,769,022	1,524,122,083	23,543,649
Total Noncurrent Assets	278,356,945	331,823,865	875,409,000	108,089,047	1,593,678,857	37,293,873
Total Assets	298,333,942	355,048,884	1,039,191,000	120,028,145	1,812,601,971	59,148,580
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Loss on Refunding	860,147	781,716	20,201,000	37,026	21,879,889	-
LIABILITIES						
Current Liabilities:						
Accounts Payable	548,048	460,882	16,722,000	2,820,231	20,551,161	1,507,065
Construction Contracts	3,255,461	2,557,812	-	-	5,813,273	-
Accrued Liabilities	567,278	922,274	38,727,000	539,996	40,756,548	542,409
Accrued Compensated Absences	383,552	482,790	-	477,542	1,343,884	778,511
Due to Other Funds	-	-	-	842,926	842,926	642,990
Due to Other Governments	-	-	-	296,244	296,244	3,751
Unearned Revenue	-	-	-	2,768,163	2,768,163	134,794
Claims	-	-	1,200,000	-	1,200,000	4,252,558
Accrued Interest	617,846	148,241	8,799,000	80,726	9,645,813	122,130
Current Portion of Notes Payable	-	-	64,500,000	200,000	64,700,000	-
Current Portion of Capital Lease	-	-	-	398,498	398,498	1,752,789
Current Portion of Long-Term Debt	4,342,719	4,310,000	21,060,000	1,810,000	31,522,719	-
Total Current Liabilities	9,714,904	8,881,999	151,008,000	10,234,326	179,839,229	9,736,997
Noncurrent Liabilities:						
Due to Other Funds	-	-	-	500,000	500,000	-
Accrued Compensated Absences	283,481	493,407	-	137,059	913,947	876,808
Construction Contracts	117,455	84,336	-	-	201,791	-
Claims	-	-	459,000	-	459,000	5,968,531
Notes Payable	-	-	-	1,600,000	1,600,000	-
Capital Lease Payable	-	-	-	1,552,339	1,552,339	12,687,710
Long-Term Debt, Net	85,586,579	62,104,684	615,023,000	35,447,241	798,161,504	-
Accrued Liabilities	229,704	356,209	-	754,240	1,340,153	399,486
Accrued Landfill Closure/Postclosure Care Costs	-	-	-	16,706,000	16,706,000	-
Total Noncurrent Liabilities	86,217,219	63,038,636	615,482,000	56,696,879	821,434,734	19,932,535
Total Liabilities	95,932,123	71,920,635	766,490,000	66,931,205	1,001,273,963	29,669,532
NET POSITION						
Net Investment in Capital Assets	175,574,409	251,668,822	187,838,000	58,500,864	673,582,095	9,328,700
Restricted for:						
Debt Service	893,268	267,083	7,552,000	-	8,712,351	-
Capital Projects	620,596	1,812,654	-	4,689,496	7,122,746	-
Other	-	-	-	5,905	5,905	-
Unrestricted	26,173,693	30,161,406	97,512,000	(10,062,299)	143,784,800	20,150,348
Total Net Position	\$ 203,261,966	283,909,965	292,902,000	53,133,966	833,207,897	29,479,048

The notes to the financial statements are an integral part of this statement.

CITY OF LINCOLN, NEBRASKA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

	Business-Type Activities -- Enterprise Funds				Total	Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds		
Operating Revenues						
Charges for Services	\$ 25,860,215	32,623,034	277,848,000	6,711,360	343,042,609	65,093,941
Fees	-	-	-	8,725,071	8,725,071	-
Parking Revenue	-	-	-	10,032,342	10,032,342	-
Performance Revenue	-	-	-	11,353,895	11,353,895	-
Other Operating Revenue	-	-	12,273,000	1,646,467	13,919,467	-
Total Operating Revenues	<u>25,860,215</u>	<u>32,623,034</u>	<u>290,121,000</u>	<u>38,469,135</u>	<u>387,073,384</u>	<u>65,093,941</u>
Operating Expenses						
Personal Services	-	-	-	13,851,898	13,851,898	13,805,498
Contractual Services	-	-	-	6,760,356	6,760,356	-
Operation and Maintenance	11,652,783	14,435,934	24,266,000	12,782,087	63,136,804	46,346,461
Purchased Power	-	-	131,012,000	-	131,012,000	-
Depreciation	7,785,109	8,056,937	40,582,000	4,473,792	60,897,838	2,933,920
Administrative Costs	1,685,203	1,872,125	38,134,000	-	41,691,328	-
Total Operating Expenses	<u>21,123,095</u>	<u>24,364,996</u>	<u>233,994,000</u>	<u>37,868,133</u>	<u>317,350,224</u>	<u>63,085,879</u>
Operating Income	<u>4,737,120</u>	<u>8,258,038</u>	<u>56,127,000</u>	<u>601,002</u>	<u>69,723,160</u>	<u>2,008,062</u>
Nonoperating Revenues (Expenses)						
Investment Earnings	600,438	681,211	209,000	267,297	1,757,946	363,151
Gain on Disposal of Capital Assets	-	-	-	131,535	131,535	64,944
Insurance Recovery	-	-	-	3,042	3,042	-
Occupation Tax	-	-	-	2,598,793	2,598,793	-
Payments in Lieu of Taxes	-	-	(10,161,000)	-	(10,161,000)	-
Net Costs Recoverable	(41,721)	(48,767)	(1,052,000)	-	(1,142,488)	-
Interest Expense and Fiscal Charges	(2,699,875)	(1,527,980)	(26,342,000)	(1,227,887)	(31,797,742)	(400,080)
Total Nonoperating Revenues (Expenses)	<u>(2,141,158)</u>	<u>(895,536)</u>	<u>(37,346,000)</u>	<u>1,772,780</u>	<u>(38,609,914)</u>	<u>28,015</u>
Income Before Contributions and Transfers	<u>2,595,962</u>	<u>7,362,502</u>	<u>18,781,000</u>	<u>2,373,782</u>	<u>31,113,246</u>	<u>2,036,077</u>
Capital Contributions	1,848,707	2,412,052	1,143,000	181,421	5,585,180	82,392
Plant Costs Recovered through Capital Contributions	-	-	(1,143,000)	-	(1,143,000)	-
Transfers In	-	-	-	603,800	603,800	483,807
Transfers Out	-	(166,987)	(8,730,000)	(2,623,666)	(11,520,653)	-
Change in Net Position	<u>4,444,669</u>	<u>9,607,567</u>	<u>10,051,000</u>	<u>535,337</u>	<u>24,638,573</u>	<u>2,602,276</u>
Net Position - Beginning	<u>198,817,297</u>	<u>274,302,398</u>	<u>282,851,000</u>	<u>52,598,629</u>	<u>808,569,324</u>	<u>26,876,772</u>
Net Position - Ending	<u>\$ 203,261,966</u>	<u>283,909,965</u>	<u>292,902,000</u>	<u>53,133,966</u>	<u>833,207,897</u>	<u>29,479,048</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LINCOLN, NEBRASKA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

	Business-Type Activities -- Enterprise Funds					Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds	Total	
Cash Flows from Operating Activities						
Receipts from Customers and Users	\$ 26,156,856	30,947,984	301,012,000	31,857,385	389,974,225	16,179,799
Receipts from Interfund Services Provided	190,547	1,087,643	6,106,000	745,918	8,130,108	48,955,700
Payments to Suppliers for Goods and Services	(3,452,274)	(4,773,310)	(178,868,000)	(16,652,373)	(203,745,957)	(42,589,354)
Payments to Employees	(7,403,354)	(8,623,406)	(27,044,000)	(13,395,829)	(56,466,589)	(13,841,373)
Payments for Interfund Services Provided	(2,209,266)	(3,058,619)	(1,133,000)	(2,032,086)	(8,432,971)	(3,468,041)
Other Receipts	-	-	-	1,646,467	1,646,467	-
Net Cash Provided by Operating Activities	<u>13,282,509</u>	<u>15,580,292</u>	<u>100,073,000</u>	<u>2,169,482</u>	<u>131,105,283</u>	<u>5,236,731</u>
Cash Flows from Noncapital Financing Activities						
Occupation Tax	-	-	-	2,494,855	2,494,855	-
Payments in Lieu of Taxes	-	-	(9,714,000)	-	(9,714,000)	-
Transfers from Other Funds	-	-	-	603,800	603,800	483,807
Transfers to Other Funds	-	(166,987)	(8,609,000)	(2,623,666)	(11,399,653)	-
Advances from General Fund	-	-	-	1,468,642	1,468,642	1,388,359
Repayment of Advances from General Fund	-	-	-	(1,298,779)	(1,298,779)	(1,396,093)
Advances to Other Funds	-	-	-	-	-	(600,000)
Repayments from Other Funds	104,278	125,757	-	154,235	384,270	144,356
Proceeds from Long-Term Debt	-	-	-	425,000	425,000	-
Principal Payment of Long-Term Debt	-	-	-	(200,000)	(200,000)	-
Interest and Fiscal Charges Paid	-	-	-	(3,800)	(3,800)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>104,278</u>	<u>(41,230)</u>	<u>(18,323,000)</u>	<u>1,020,287</u>	<u>(17,239,665)</u>	<u>20,429</u>
Cash Flows from Capital and Related Financing Activities						
Additions to Capital Assets	(8,526,311)	(20,346,995)	(62,375,000)	(12,189,936)	(103,438,242)	(3,118,603)
Capital Contributions	567,968	1,629,402	1,143,000	-	3,340,370	-
Proceeds from Sale of Capital Assets	-	-	-	274,153	274,153	181,583
Insurance Recovery	-	-	-	3,042	3,042	-
Proceeds from Long-Term Debt	2,675,751	7,623,929	22,615,000	-	32,914,680	-
Cost of Debt Issuance	-	-	(814,000)	-	(814,000)	-
Net Cost of Retiring Plant	-	-	(3,197,000)	-	(3,197,000)	-
Commercial Paper Redeemed	-	-	(24,000,000)	-	(24,000,000)	-
Principal Payments of Capital Lease	-	-	-	(450,090)	(450,090)	(1,335,593)
Principal Payments of Long-Term Debt	(4,053,916)	(3,923,000)	(19,865,000)	(1,860,000)	(29,701,916)	-
Interest and Fiscal Charges Paid	(3,077,999)	(2,044,418)	(27,681,000)	(1,421,992)	(34,225,409)	(439,485)
Net Cash Used by Capital and Related Financing Activities	<u>(12,414,507)</u>	<u>(17,061,082)</u>	<u>(114,174,000)</u>	<u>(15,644,823)</u>	<u>(159,294,412)</u>	<u>(4,712,098)</u>
Cash Flows from Investing Activities						
Proceeds from Sale and Maturities of Investments	15,331,339	17,627,345	142,455,000	19,240,662	194,654,346	21,353,747
Purchases of Investments	(17,231,183)	(17,333,170)	(107,945,000)	(11,663,614)	(154,172,967)	(23,973,921)
Interest and Other Receipts	278,191	322,792	254,000	101,895	956,878	197,256
Net Cash Provided (Used) by Investing Activities	<u>(1,621,653)</u>	<u>616,967</u>	<u>34,764,000</u>	<u>7,678,943</u>	<u>41,438,257</u>	<u>(2,422,918)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(649,373)	(905,053)	2,340,000	(4,776,111)	(3,990,537)	(1,877,856)
Cash and Cash Equivalents - Beginning	2,224,768	2,523,701	20,765,000	11,322,320	36,835,789	4,249,686
Cash and Cash Equivalents - Ending	<u>\$ 1,575,395</u>	<u>1,618,648</u>	<u>23,105,000</u>	<u>6,546,209</u>	<u>32,845,252</u>	<u>2,371,830</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities						
Operating Income	\$ 4,737,120	8,258,038	56,127,000	601,002	69,723,160	2,008,062
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	7,785,109	8,056,937	40,582,000	4,473,792	60,897,838	2,933,920
Changes in Assets and Liabilities:						
Accounts Receivable and Unbilled Revenues	481,789	(590,706)	(1,510,000)	(104,630)	(1,723,547)	(161,761)
Lease Receivable	-	-	-	-	-	340,000
Due from Other Funds	-	-	-	(67,499)	(67,499)	(60,944)
Due from Other Governments	-	-	-	9,927	9,927	219,210
Inventories	(31,153)	124,015	1,430,000	(47,556)	1,475,306	(159,824)
Plant Operation Assets	-	-	(106,000)	-	(106,000)	-
Prepaid Expenses	-	-	(144,000)	12,986	(131,014)	(74,773)
Other Assets	-	-	2,621,000	-	2,621,000	-
Accounts Payable	252,796	(300,809)	346,000	116,572	414,559	(292,431)
Accrued Liabilities	42,237	6,994	75,000	190,359	314,590	23,975
Accrued Compensated Absences	14,611	25,823	-	47,817	88,251	(59,850)
Due to Other Funds	-	-	-	76,941	76,941	47,760
Due to Other Governments	-	-	-	114,934	114,934	(12,671)
Unearned Revenue	-	-	-	(4,057,163)	(4,057,163)	45,053
Claims	-	-	576,000	-	576,000	441,005
Other Liabilities	-	-	76,000	-	76,000	-
Accrued Landfill Closure/Postclosure Care Costs	-	-	-	802,000	802,000	-
Total Adjustments	8,545,389	7,322,254	43,946,000	1,568,480	61,382,123	3,228,669
Net Cash Provided by Operating Activities	<u>\$ 13,282,509</u>	<u>15,580,292</u>	<u>100,073,000</u>	<u>2,169,482</u>	<u>131,105,283</u>	<u>5,236,731</u>
Supplemental Disclosure of Noncash Investing, Capital, and Financing Activities:						
Contribution of Capital Assets	\$ 1,280,739	782,650	-	181,421	2,244,810	82,392
Purchase of Capital Assets on Account	3,372,916	2,642,148	1,313,000	1,446,072	8,774,136	9,476
Change in Fair Value of Investments	(318,132)	(361,515)	24,000	182,082	(473,565)	167,695
Allowance for Funds Used in Construction	-	-	890,000	-	890,000	-

For LES' fiscal year ended December 31, 2013, LES issued refunding bonds in June 2013 to advance refund the Series 2005 bonds. Please refer to Note 9 for discussion.

The notes to the financial statements are an integral part of this statement.

CITY OF LINCOLN, NEBRASKA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2014

	<u>Police & Fire Pension Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,234,966	4,228,307
Investments:		
Pooled Investment Funds	7,402,341	-
Collateralized Investment Agreement	-	1,910,000
Equities	5,264,051	-
Corporate Bonds	1,655,260	-
Mutual Funds	184,397,367	-
Limited Partnership	551,155	-
Real Estate Limited Partnerships	11,735,757	-
Total Investments	<u>211,005,931</u>	<u>1,910,000</u>
Receivables:		
Contributions	572,480	-
Accrued Interest	81,958	37,055
Other	-	49,839
Due from Other Governments	454	-
Contractor Retainage	<u>-</u>	<u>293,236</u>
 Total Assets	 <u>213,895,789</u>	 <u><u>6,518,437</u></u>
LIABILITIES		
Warrants Payable	-	1,457,717
Accounts Payable	14,478	268,182
Accrued Liabilities	10,305	-
Accrued Compensated Absences	9,602	-
Due to Other Governments	-	3,771,701
Due to Homeowners	-	25,624
Due to Contractors	-	799,563
Due to Plan Members	-	77,724
Due to Bondholders	<u>-</u>	<u>117,926</u>
 Total Liabilities	 <u>34,385</u>	 <u><u>6,518,437</u></u>
NET POSITION		
Net Position Restricted for Pensions	<u>\$ 213,861,404</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF LINCOLN, NEBRASKA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED AUGUST 31, 2014

	<u>Police & Fire Pension Trust Fund</u>
Additions:	
Contributions:	
Employer	\$ 7,711,846
Employee	2,605,981
Total Contributions	<u>10,317,827</u>
Investment Earnings:	
Interest	369,441
Dividends	3,614,009
Net Increase in Fair Value of Investments	26,447,926
Net Investment Earnings	<u>30,431,376</u>
Total Additions	<u>40,749,203</u>
Deductions:	
Benefit Payments	12,733,015
Refunds of Contributions	171,279
Administrative Costs	416,253
Total Deductions	<u>13,320,547</u>
Change in Net Position	27,428,656
Net Position Restricted for Pension - Beginning	<u>186,432,748</u>
Net Position Restricted for Pension - Ending	<u>\$ 213,861,404</u>

The notes to the financial statements are an integral part of this statement.

**NOTES TO THE
FINANCIAL STATEMENTS**

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The accompanying financial statements present the government of the City of Lincoln, Nebraska (City) and its blended component unit, the West Haymarket Joint Public Agency (WHJPA), established April 2, 2010, for which the City is considered to be financially accountable. Regarding related organizations, the City's Mayor appoints and the City Council approves all of the board appointments of the Housing Authority of the City of Lincoln. However, the City has no further accountability for this organization.

Blended component units, although legally separate entities, are, in substance, part of the government's operations. The participants in the WHJPA are the City and University of Nebraska (UNL), and the agency is governed by a board consisting of the Mayor, a member of the UNL Board of Regents, and a member of the City Council. The purpose of the agency is to make the most efficient use of the taxing authority and other powers of the participants to facilitate the redevelopment of the West Haymarket Redevelopment Area. The WHJPA almost exclusively benefits the City as its primary function is to finance and construct those City owned assets located in the redevelopment area. The WHJPA is reported as a major governmental fund in the City's financial statements. Complete separate financial statements for the WHJPA may be obtained at the City of Lincoln Finance Department, 555 South 10th Street, Suite 103, Lincoln, NE 68508, or online at www.lincoln.ne.gov/city/finance/account/jpa-audits.htm.

FISCAL YEAR-END

All funds of the City, with the exception of Lincoln Electric System (LES), are reported as of and for the year ended August 31, 2014. December 31st is the fiscal year-end of LES as established by the City Charter, and the last separate financial statements were as of and for the year ended December 31, 2013. The amounts included in the City's 2014 financial statements for LES are amounts as of and for the year ended December 31, 2013.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. Fiduciary activities, whose resources are not available to finance the City's programs, are excluded from the government-wide statements. The material effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Functional expenses may also include an element of indirect cost, designed to recover administrative (overhead) costs. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2014

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *total economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Agency funds, reporting only assets and liabilities, have no measurement focus but use the accrual basis of accounting.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including interest on long-term debt, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, sales taxes, highway user fees, interdepartmental charges, and intergovernmental revenues are all considered to be susceptible to accrual. Special assessments are recorded as revenues in the year the assessments become current. Annual installments not yet due are reflected as special assessment receivables and deferred revenues. Other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund finances the day-to-day operation of the basic governmental activities, such as legislative, judicial, administration, aging services, police and fire protection, emergency communications, legal services, planning, and parks and recreation. Primary resources of the fund include property, sales, and occupation taxes.

The Street Construction Fund, a special revenue fund, accounts for the resources accumulated, primarily highway allocation fees received from the State of Nebraska, and the payments made for the maintenance, construction, and improvement of the streets and highways in the City.

The West Haymarket JPA Fund accounts for the activities of the joint public agency, a blended component unit of the City, established to facilitate the redevelopment of the West Haymarket Area. Occupation taxes imposed on bar, restaurant, car rental, and hotel revenues provides the resources to finance the activities of the JPA.

The City reports the following major enterprise funds:

The Lincoln Wastewater System Fund accounts for the activities of the City's wastewater utility.

The Lincoln Water System Fund accounts for the activities of the City's water distribution operations.

The Lincoln Electric System Fund accounts for the activities of the City's electric distribution operations.

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2014

Additionally, the City reports the following fund types:

Internal Service Funds account for data processing, engineering, risk management, fleet management, municipal services center operations, telecommunications, and copy services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

The Pension Trust Fund accounts for the receipt, investment, and distribution of retirement contributions made for the benefit of police officers and firefighters.

The Agency Funds account for the collection of various taxes, fines, and fees due to other government entities; funds held in escrow for homeowners; good faith money due to contractors upon project completion; funds held for payroll taxes and other payroll related payables; funds held to pay outstanding warrants; funds to pay phone system charges; funds to pay matured bonds and coupons for which the City Treasurer is trustee; funds for the joint administrative entity known as JAVA, created to coordinate planning and implementation of the Antelope Valley Project; funds for shared library services; and reserve funds held for the Public Building Commission Bonds.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes, return on equity, and charges between the business-type functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, fines and forfeitures, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the government's internal service funds are charges to customers for goods and services. Operating expenses include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

In 2011, the City Council approved an ordinance requiring LES to pay an annual dividend to the City for the City's ownership of LES, in an amount based on the total net position of LES as of the most recent audited year-end financial statements. The annual dividend shall be remitted to the City on a semiannual basis on the 20th day of February and August of each year, with each payment representing fifty percent of the annual dividend payment.

ASSETS, LIABILITIES, AND NET POSITION OR FUND EQUITY

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. These investments are not specifically identified with any one fund. Interest is allocated to the individual funds on the basis of average cash balances.

The City may invest in certificates of deposit, in time deposits, and in 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.

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2014

Investments in the Pension Trust Fund are carried at fair value. Investments in other funds are carried at fair value, except for short-term investments, which are reported at amortized cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value, based on relevant market information of similar financial instruments. Income from investments held by the individual funds is recorded in the respective funds as it is earned.

Receivables and Payables

Loans receivable in governmental funds consist of rehabilitation and redevelopment loans that are generally not expected or scheduled to be collected in the subsequent year.

Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets, in spite of their spending measurement focus. Recognition of governmental fund type revenues represented by noncurrent receivables generally is deferred until they become current receivables.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Inventories and Prepaid Items

Materials, supplies, and fuel inventories are stated at cost, which is generally determined using the average cost method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Amounts of governmental fund inventories and vendor prepaid items are reported as nonspendable net position to indicate that they do not represent "available spendable resources".

Certain payments that have been made which benefit future accounting periods and are funded by interfund borrowings, are also recorded as prepayments, with a like amount of interfund liability reflected. These prepayments are charged to expenditures on the governmental fund financial statements over the period of their related borrowings. On the government-wide financial statements these prepayments have been capitalized and are charged to expenditures as the assets are depreciated over their useful lives.

Costs Recoverable From Future Billings

Certain income and expense items of the Wastewater System, Water System, and LES, which would be recognized during the current period are deferred and 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.

Investment in Joint Venture

Investment in joint venture consists of the City's interest in the Joint Antelope Valley Authority (see Note 22), a joint administrative entity reported in the City's financial statements using the equity method of accounting.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, drainage systems, street lights, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2014

year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalization value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10 - 50
Improvements	5 - 40
Infrastructure	20 - 100
Equipment	2 - 20

The exceptions to this rule are library media, which is depreciated using a composite depreciation method, and LES, which depreciates its utility plant on a straight-line basis using composite rates ranging between 2% and 20%, depending on the respective asset type.

Compensated Absences

City employees generally earn vacation days at a variable rate based 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 37 days.

Employees earn sick leave at the rate of one day per month with total accumulation unlimited. Upon retirement, an employee is reimbursed for a percentage of accumulated sick leave with percentages and maximums depending on the employees' bargaining unit contract. Upon resignation from City service an employee may also be compensated for a percentage of accumulated sick leave, again, based on the employees' bargaining union contract. In some cases payment may be placed in a medical spending account rather than reimbursing the employee directly. LES is covered by a separate personnel plan regarding vacation and sick leave with the liability for these benefits recorded in accrued liabilities.

Vacation leave and other compensated absences with similar characteristics are accrued as the benefits are earned if the leave is attributable to past service and it is probable that the City will compensate the employees for such benefits. Sick leave and other compensated absences with similar characteristics are accrued as the benefits are earned only to the extent it is probable that the City will compensate the employees for such benefits through cash payments conditioned on the employee's termination or retirement, and is recorded based on the termination method. Such accruals are based on current salary rates and include salary-related payments directly and incrementally associated with payments made for compensated absences on termination.

All vacation and sick leave is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. In the governmental funds, only compensated absences that have matured as of year-end, for example, as a result of employee resignations and retirements, are recorded as a fund liability.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. For current and advance refundings of debt, the difference between

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the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. The unamortized balance of the refunding gain or loss is reported as deferred inflows or outflows of resources, as applicable, on the statement of net position.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Fund Equity

Fund balances reflect assets plus deferred outflows of resources minus liabilities and deferred inflows of resources in the governmental fund statements. Fund balance is divided into five classifications; nonspendable, restricted, committed, assigned and unassigned. Fund balance is reported as nonspendable when not in spendable form or legally or contractually required to be maintained intact. Fund balance is reported as restricted when constraints placed on the use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Fund balance is reported as committed when constraints are imposed by formal action (ordinance) of the City Council, the City's highest level of decision-making authority. Fund balance is reported as assigned when the intent of the City (resolution, executive order) is to use the funds for a specific purpose. Unassigned fund balance is the residual amount and only the General Fund can report a positive unassigned balance.

The City has established a policy providing for an unreserved fund balance in the City's General Fund. To meet excess cash flow needs, no less than twenty percent of the ensuing year's General Fund budget is to be set aside as an unrestricted reserve. Currently \$28,469,134 of the General Fund's spendable and unrestricted fund balance meets the requirements of this policy.

Net Position Classification

Net position is assets plus deferred outflows of resources minus liabilities and deferred inflows of resources and is shown in the entity-wide, proprietary, and fiduciary fund financial statements. Net position is required to be classified into three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvements 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 – This component of net position consists of restricted assets, reduced by liabilities related to those assets, with constraints placed on their use through external parties such as creditors (debt covenants), grantors, contributors, or law or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$170,946,394 of restricted net position, of which enabling legislation restricts \$19,360,919.

Unrestricted – This component consists of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the “restricted” or “net investment in capital assets” components of net position.

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

BUDGETARY DATA

The City Council follows these procedures, set out in the City Charter, in establishing the budgetary data reflected in the financial statements:

- 1) At least 40 days prior to the beginning of the biennial budget period, the Mayor submits to the City Council a proposed biennial budget for the ensuing years. The biennial budget is a complete financial plan for the biennial period and consists of an operating budget and a capital budget.
- 2) Public hearing on the proposed budget is scheduled for not later than 10 days prior to the budget adoption date.
- 3) Not later than 5 days prior to the end of the biennial period, the budget is legally adopted by resolution of the City Council.
- 4) The Mayor is authorized to transfer unencumbered balances between appropriations of the same department or agency during the biennium. The Mayor also has authority to lower appropriations in any fund where actual revenues are less than appropriated in order to avoid incurring a budget deficit for that fiscal or biennial period.

Appropriation transfers between departments or agencies may only be authorized by resolution of the City Council. The Council may not make any appropriations in addition to those authorized in the biennial budget, except that it may authorize emergency appropriations in the event of an emergency threatening serious loss of life, health, or property in the community.

- 5) Budgets for all funds are adopted on a basis inconsistent with accounting principles generally accepted in the United States of America (GAAP). Since encumbrances are included in the City's budget accounting, year-end encumbrances are reappropriated to the next year in the budget process. Various funds have expenditures automatically appropriated through the budget resolution, based on funds available. These expenditures are reflected in the original and final budgets at amounts equal to the actual expenditures. Budget basis expenditures are presented on a cash basis.

Amendments to the adopted budget were made this year and resulted from prior fiscal year encumbrances identified subsequent to budget adoption, appropriation of unanticipated revenues to certain funds as provided in the budget resolution, and appropriation revisions between or among departments as provided for under the City Charter.

- 6) Appropriation controls are required at the departmental level. However, as a matter of policy and practice, appropriations generally are controlled at the next level of organization (division) or by fund within a department.
- 7) Operating appropriations lapse at the end of the biennial period for which authorized except for those reappropriated by Council resolution, capital improvement appropriations and year-end encumbrances against operating budgets. Capital improvement appropriations are continuing appropriations through completion of the project.
- 8) Budgets are adopted by resolution for the following fund types: general, special revenue, debt service, capital projects, permanent, enterprise, internal service, and pension trust. Legally adopted annual budgets are not established for the West Haymarket JPA component unit, certain special revenue (Advance Acquisition, Police & Fire Pension Contributions, Special Assessment, Impact Fees, Parks & Recreation Special Projects, and RP Crawford Park), debt service (Special Assessment), permanent (JJ Hompes), Fast Forward, and agency funds. In addition, capital project funds are budgeted on a project rather than a biennial basis.

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ENDOWMENTS

The Community Health Permanent Endowment Fund was established in 1997 with the \$37,000,000 cash proceeds realized by the City from the sale of Lincoln General Hospital, and may be increased by donations, bequests, or appropriations to the fund. Investment earnings of the fund are used for funding health and health-related programs that further the health, safety, or welfare of the citizens of Lincoln. Earnings deposited with the City Treasurer shall be paid out only by order of those persons designated by the Community Health Endowment (CHE) Board of Trustees as outlined in the Fiscal and Budget Directives policy between the CHE and the City. State law directs that, subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. The current amount of net appreciation available for expenditure is \$26,697,968, which is reported as expendable health care restricted net position in the statement of net position. The initial endowment principal is reported as nonexpendable health care restricted net position in the statement of net position.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ materially from those estimates.

IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

In 2014, the City implemented the provisions of the following accounting principles:

GASB Statement No. 66, *Technical Corrections--2012*. This standard resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports.

GASB Statement No. 67, *Financial Reporting for Pension Plans, An Amendment of GASB Statement No. 25*. The requirements of this statement will improve financial reporting by state and local governmental pension plans primarily through enhanced note disclosures and schedules of required supplementary information.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The requirements of this statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend or receive nonexchange financial guarantees.

The implementation of these standards did not have a significant impact on the City's financial statements.

(2) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The governmental funds balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position of governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, “Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of the \$534,353,288 difference are as follows:

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Bonds Payable	\$ 462,255,811
Less issuance discounts	(999,602)
Plus issuance premiums	12,264,474
Less deferred charge on refunding	(1,109,915)
Capital Leases Payable	29,807,505
Accrued Interest Payable	4,849,706
Net Pension Obligation	2,622,068
Net OPEB Obligation	8,369,031
Compensated Absences	<u>16,294,210</u>
Net difference	<u>\$ 534,353,288</u>

EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$52,352,498 difference are as follows:

Capital outlay	\$ 86,508,984
Depreciation expense	<u>(34,156,486)</u>
Net difference	<u>\$ 52,352,498</u>

Another element of that reconciliation states, “The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$(24,848,219) difference are as follows:

Debt issued or incurred:	
Issuance of tax exempt general obligation facility bonds	\$ (28,175,000)
Issuance of certificates of participation	(9,500,000)
Issuance premiums	(682,653)
Amortization of deferred premiums, discounts, and amounts from refundings	369,435
Principal repayments	<u>13,139,999</u>
Net difference	<u>\$ (24,848,219)</u>

Another element of that reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$1,364,066 difference are as follows:

Loss on disposal of capital assets	\$ (501,123)
Construction contracts	14,308
Commissions	2,465,648
Accrued interest	(213,490)
Compensated absences	<u>(401,277)</u>
Net difference	<u>\$ 1,364,066</u>

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(3) RESTRICTED ASSETS

Certain proceeds of the enterprise funds 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. Assets included in the Bond Principal and Interest Account and the Bond Reserve Account are restricted for the payment of bond principal and interest. Assets included in the Renewal and Replacement Account are restricted for specific purposes including improvements, repairs and replacements, acquisition of equipment, and the payment of bond principal and interest. Assets included in the Construction Account are restricted for paying the cost of capital improvements. Also, the Lincoln Electric System has assets restricted for paying employee health claims, the Pershing Municipal Auditorium Enterprise Fund has assets restricted for marketing and improvements, and the Municipal Services Center Internal Service Fund has assets restricted for capital improvements.

A recap of the proprietary funds restrictions and related balances at August 31, 2014, are as follows:

Fund Account	Parking System	Pershing Municipal Auditorium	Solid Waste Management	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Municipal Services Center	Total
Principal and Interest	\$ 145	-	-	1,326,290	225,743	15,808,000	-	17,360,178
Reserve	2,653,825	-	695,140	5,840,298	5,693,055	18,668,000	-	33,550,318
Renewal and Replacement	2,371,526	-	-	-	-	-	-	2,371,526
Capital Construction and Equipment	2,319,159	130	-	405,524	1,258,687	2,000	235,025	4,220,525
Claims	-	-	-	-	-	1,593,000	-	1,593,000
Marketing	-	29,405	-	-	-	-	-	29,405
Total	\$ 7,344,655	29,535	695,140	7,572,112	7,177,485	36,071,000	235,025	59,124,952

Restricted assets for internal balances are shown on the fund statements and included above, but are segregated and not included in restricted asset balances on the statement of net position.

Resources of the permanent funds totaling \$37,160,000 are legally restricted to the extent that only earnings and not principal may be used to support the City's programs.

(4) DEPOSITS AND INVESTMENTS

DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State Statutes 15-846 and 15-847 R.R.S., 1943 require banks either to provide a bond, provide a Federal Home Loan Bank letter of credit, or to pledge government securities (types of which are specifically identified in the Statutes) to the City Treasurer in the amount of the City's deposits. The Statutes allow pledged securities to be reduced by the amount of the deposit insured by the Federal Deposit Insurance Corporation (FDIC).

The City's cash deposits, including certificates of deposit, are insured up to \$250,000 by the FDIC. Any cash deposits or certificates of deposit in excess of the \$250,000 FDIC limits are covered by collateral held in a Federal Reserve pledge account or by an agent for the City, or a letter of credit issued by a Federal Reserve Bank, and thus no custodial risk exists. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

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INVESTMENTS

At August 31, 2014, the City had the following investments, maturities and credit ratings:

Type	August 31, 2014					Credit Rating	
	Carrying Value	Maturities in Years				Moody's	S&P
		Less than 1	1-5	6-10	More than 10		
General City:							
U.S. Treasury Obligations	\$ 27,109,180	19,113,780	7,995,400	-	-	Aaa	AA+
U.S. Sponsored Agency Obligations	350,938,075	204,796,054	104,216,672	38,177,675	3,747,674	Aaa	AA+
Collateralized Repurchase Agreements	2,336,256	2,336,256	-	-	-	N/A	N/A
Collateralized Investment Agreements	1,120,000	-	1,120,000	-	-	A3	A+ (Fitch)
Collateralized Investment Agreements	3,139,981	-	-	3,139,981	-	Aa3	AA-
Money Market Funds - U.S. Treasury	9,059,027	9,059,027	-	-	-	Aaa	AAAm
Money Market Funds - U.S. Agencies	38,523,772	38,523,772	-	-	-	Aaa	AAAm
External Investment Trust	10,900,000	10,900,000	-	-	-	Not rated	Not rated
Tax Increment Financing Investments	7,683,900	29,466	899,754	991,103	5,763,577	Not rated	Not rated
Fixed Income Mutual Funds	137,614	137,614	-	-	-	Not rated	Not rated
Equities	1,021,492	1,021,492	-	-	-	Not rated	Not rated
Complementary Strategies	94,212	94,212	-	-	-	Not rated	Not rated
Real Assets	83,476	83,476	-	-	-	Not rated	Not rated
Total General City	457,146,985	786,095,149	114,731,876	47,308,750	9,511,751		
Community Health Endowment:							
Money Market Mutual Funds	1,534,922	1,534,922	-	-	-	Not rated	Not rated
Institutional Funds							
Fixed Income	13,822,452	13,822,452	-	-	-	Not rated	Not rated
Intermediate Term Credit	64,106	64,106	-	-	-	Not rated	Not rated
Large Cap Equity	6,984,845	6,984,845	-	-	-	Not rated	Not rated
International Equity	11,952,552	11,952,552	-	-	-	Not rated	Not rated
High yield Bonds	3,423,087	3,423,087	-	-	-	Not rated	Not rated
Emerging Markets Equity	3,203,079	3,203,079	-	-	-	Not rated	Not rated
Hedge Funds	5,713,869	5,713,869	-	-	-	Not rated	Not rated
Mid Cap Equity	3,202,379	3,202,379	-	-	-	Not rated	Not rated
U.S. Treasuries	5,194,276	5,194,276	-	-	-	Not rated	Not rated
Small Cap Equity	1,270,844	1,270,844	-	-	-	Not rated	Not rated
Commodities	1,209,513	1,209,513	-	-	-	Not rated	Not rated
Real Estate	5,037,992	5,037,992	-	-	-	Not rated	Not rated
Limited Partnership	813,956	-	813,956	-	-	Not rated	Not rated
Total Community Health Endowment:	63,427,872	62,613,916	813,956	-	-		
Police & Fire Pension Trust:							
Equities	5,264,051	5,264,051	-	-	-	Not Rated	Not Rated
Corporate Bonds	1,655,260	-	-	-	1,655,260	B (Fitch)	BB+
Mutual Funds	184,397,367	184,397,367	-	-	-	Not Rated	Not Rated
	191,316,678	189,661,418	-	-	1,655,260		
Limited Partnership	551,155	-	-	-	-		
Real Estate Limited Partnerships	11,735,757	-	-	-	-		
Total Police & Fire Pension Trust	203,603,590	-	-	-	-		
Total Primary Government	\$ 719,178,447	-	-	-	-		

INVESTMENT POLICIES

General City Policy

Generally, the City's investing activities are managed under the custody of the City Treasurer. Investing is performed in accordance with the investment policy adopted by the City Council complying with state statutes and the City Charter. The City may legally invest in U.S. government securities and agencies, U.S. government sponsored agencies, and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds, bankers' acceptances, and 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.

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Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits current operating funds to be invested with maturities of not longer than twenty-four months. Fixed income investments held in construction funds, operating funds, and other nonoperating funds are limited to ten-year maturities. Investment agreements are not subject to interest rate risk, as the issuer guarantees the interest rate. Money market mutual funds and external investment funds are presented as investments with a maturity of less than one year because they are redeemable in full immediately. Tax Increment Financing investments are allowed to exceed 10 years as the interest rates are guaranteed by the fund and the investment is made within the City's funds.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy establishes requirements for certain investment securities to be rated at certain rates or higher without having collateral pledged to the City. The following investment types must be rated at the minimum rates noted below:

	<u>S&P</u>	<u>Moody's</u>
Money Markets	AA	Aa
Corporate Notes	AA-	Aa3
Investment Agreements	AA-	Aa3

Investment agreements are made with provisions that if the provider is downgraded below Aa3 by Moody's Investors Service (Moody's) or AA- by Standard & Poor's (S&P), the provider must deliver collateral of U.S. Government agencies obligations at a margin of 102-104%, and if the provider is further downgraded below A3 by Moody's or A- by S&P, the City will have the right to terminate the agreement and receive all invested amounts plus accrued but unpaid interest without penalty. As of August 31, 2014, the investment agreements were adequately collateralized with U.S. Government treasury obligations that had a rating of Aaa by Moody's and AA+ by S&P, or by small business administration obligations which are 100% guaranteed by the U.S. Government.

The external investment funds are held in the City's idle fund pool and are comprised of Nebraska Public Agency Investment Trust (NPAIT) and Short-Term Federal Investment Trust (STFIT) funds. NPAIT and STFIT invest in only the highest quality securities, including U.S. government, rated U.S. sponsored agencies, and guaranteed student loans.

Concentration of Credit Risk. The City's investment policy places various limits on the amount that may be invested in any one issuer. Per the policy, allocation limits do not apply to the investment of proceeds from issuance of debt. These investments shall be governed by the debt covenant included in the debt instrument. Non-compliance due to a decrease in investment balance does not require corrective action.

<u>Type</u>	<u>Portfolio Composition</u>	<u>Policy Limits on Issuer</u>
U.S. agency obligations:		
Federal Home Loan Bank	32.86 %	40.00 %
Federal Home Loan Mortgage Corporation	16.23	40.00
Federal National Mortgage Association	15.20	40.00
Federal Farm Credit Bank	13.32	40.00

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Community Health Endowment (CHE) Policy

As a public endowment fund, under State law, CHE is permitted to invest in the manner required of a prudent investor acting with care, skill and diligence under the prevailing circumstance, without restrictions as to the type and limits of investments. CHE has engaged one of the world's largest institutional investment firms to advise on portfolio management. That investment firm and affiliates are also the sponsor and investment manager for all of the institutional funds listed on a previous page.

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

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, CHE's investment policy requires the average duration of the fixed income portfolio to be no more than 120% of the appropriate fixed income benchmark. Mutual and institutional funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is CHE's policy to limit its investments in fixed income securities to issues with at least BBB-/Baa3 ratings. Short-term fixed income issues should have a minimum A-2/P-2 rating. None of CHE's investments were rated at August 31, 2014.

Concentration of Credit Risk. Concentration of credit risk is the risk associated with the amount of investments CHE has with any one issuer that exceeds 5% or more of its total investments. CHE limits the percentage of cost that may be invested in any one industry, company and issuer. CHE's portfolio shall not own more than 5% of the outstanding securities of any single issuer. Exceptions are allowed where a fund's benchmark includes securities greater than 3%, in which case the investment manager may have no more than the securities index weight plus 2%. The entire portfolio shall have no more than 5% of its assets invested in the securities of any one issuer, with the exception of U.S. Treasury and U.S. agencies obligations.

Foreign Currency Risk. This risk relates to adverse affects on the fair value of an investment from changes in exchange rates. CHE had no investment denominated in foreign currency at August 31, 2014.

Police & Fire Pension Trust Policy

The Police & Fire Pension Trust Investment Board, established by the City Council in accordance with the Lincoln Municipal Code chapter 4.62, directs and oversees the trust's investments for the sole benefit of plan participants and beneficiaries. The board also provides oversight and directions to the plan administrator with regard to the investments of the trust's funds. The daily management responsibility of the trust and routine investment transactions are delegated to the plan administrator.

The Police & Fire Pension Trust is allowed to invest in domestic and international equity funds, domestic and foreign bonds, real estate, mortgage-backed securities, and other alternative investments.

The investment board has the responsibility to allocate plan assets in various investment strategies to reach the overall return and risk objectives of the plan. Annually the board reviews the plan's investments from an "asset allocation" perspective. The strategic allocation process is based on such factors as historical absolute returns of the benchmarks, recent returns for benchmarks, volatility of benchmark returns as measured by standard deviation, and the correlation of returns with other asset classes used in the portfolio. The following was the board's adopted asset allocation as of August 31, 2014:

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Asset Class	Target Allocation
Cash	1.0 %
Alternative Investments	31.0
Fixed Income	21.6
Equity	46.4
	100 %

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Police & Fire Pension Trust will not be able to recover the value of its investment securities that are in the possession of an outside party.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Investment Board for the Police & Fire Pension Trust compares the risk and return characteristics derived from the actual performance of the Fund, by separate asset classes and specific securities to appropriate benchmarks, and financial indices and/or funds, at least annually. Asset allocation, investments, and/or investment managers are adjusted as necessary by this monitoring.

Credit Risk. The policy states that the plan will select appropriate investments, or investment manager(s), to fill each asset class allocation. The individual investment, or investment managers, chosen shall be those determined to meet the board's objectives in terms of their overall combination of risk, return, and liquidity.

Concentration of Credit Risk. It is the desire of the board that no more than 5% of assets may be from a single corporate or sovereign issuer exclusive of the U.S. government. The board reviews assets to monitor the concentration of overlapping securities held by multiple mutual funds.

Summary of Deposit and Investment Balances

Following is a reconciliation of the City's deposit and investment balances as of August 31, 2014:

	Totals		
Investments	\$ 719,178,447		
Deposits and Cash on Hand	9,943,248		
	\$ 729,121,695		
	Government-wide Statement of Net Assets	Fiduciary Funds Statement of Net Assets	Totals
Cash and Cash Equivalents	\$ 52,874,277	6,463,273	59,337,550
Investments	360,612,804	212,915,931	573,528,735
Restricted Assets:			
Cash and Cash Equivalents	8,874,002	-	8,874,002
Investments	87,381,408	-	87,381,408
	\$ 509,742,491	219,379,204	729,121,695

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(5) **FUND BALANCES**

Fund balances are classified as nonspendable, restricted, committed, assigned or unassigned. The City generally follows this same order in spending available resources unless special circumstances apply. The following provides details of the aggregate amounts displayed on the face of the balance sheet:

	Major Funds				Total
	General Fund	Street Construction	West Haymarket JPA	Other Funds	
Fund Balances:					
Nonspendable:					
Inventory	\$ 446,935	604,665	-	575,397	1,626,997
Prepaid Items	1,264,948	31,710	238,025	-	1,534,683
Permanent Fund Principal	-	-	-	37,160,000	37,160,000
Total Nonspendable	<u>1,711,883</u>	<u>636,375</u>	<u>238,025</u>	<u>37,735,397</u>	<u>40,321,680</u>
Restricted For:					
Capital Improvements	7,143,533	40,116,554	9,911,187	14,395,343	71,566,617
Human Services	861,021	-	-	-	861,021
Donor Purposes	3,127,872	-	-	2,079,056	5,206,928
Public Improvements	2,473,214	-	-	-	2,473,214
Agency Activities	-	-	1,441,388	-	1,441,388
Land Purchases	-	-	-	574,610	574,610
Social Security Obligations	-	-	-	1,329,093	1,329,093
Community Betterment	-	-	-	4,291,122	4,291,122
Federal Loan Programs	-	-	-	18,759,000	18,759,000
Grant Programs	-	-	-	1,497,638	1,497,638
Special Assessment Improvements	-	-	-	604,356	604,356
Debt Service	-	-	-	12,305,606	12,305,606
Health Care	-	-	-	26,721,655	26,721,655
Claims Contingencies	-	-	-	865,000	865,000
Library Media	-	-	-	612,201	612,201
Total Restricted	<u>13,605,640</u>	<u>40,116,554</u>	<u>11,352,575</u>	<u>84,034,680</u>	<u>149,109,449</u>
Committed To:					
Public Access Television	-	-	-	968,898	968,898
Building Code Enforcement	-	-	-	34,077	34,077
Debt Service	-	-	-	797,894	797,894
Total Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,800,869</u>	<u>1,800,869</u>
Assigned To:					
Capital Improvements	-	33,433,138	-	42,649	33,475,787
Donor Purposes	782,116	-	-	-	782,116
Public Improvements	526,225	-	-	-	526,225
Athletic Facility Improvements	712,287	-	-	-	712,287
Senior Care	330,189	-	-	-	330,189
Emergency Communications	1,495,976	-	-	-	1,495,976
Economic Development Projects	5,697,369	-	-	-	5,697,369
Snow Removal	-	164,308	-	-	164,308
Debt Service	-	-	11,738,447	-	11,738,447
Land Purchases	-	-	-	24,005	24,005
Public Access Television	-	-	-	18,046	18,046
Library Services	-	-	-	2,904,263	2,904,263
Health Care	-	-	-	1,616,779	1,616,779
Social Security Obligations	-	-	-	372,594	372,594
Public Transportation	-	-	-	2,546,921	2,546,921
Community Betterment	-	-	-	43,041	43,041
Building Code Enforcement	-	-	-	5,048,026	5,048,026
Park Projects	-	-	-	136,655	136,655
Other Purposes	5,314,921	-	-	-	5,314,921
Total Assigned	<u>14,859,083</u>	<u>33,597,446</u>	<u>11,738,447</u>	<u>12,752,979</u>	<u>72,947,955</u>
Unassigned					
	<u>27,287,777</u>	<u>-</u>	<u>-</u>	<u>(144,837)</u>	<u>27,142,940</u>
Total Fund Balances	<u>\$ 57,464,383</u>	<u>74,350,375</u>	<u>23,329,047</u>	<u>136,179,088</u>	<u>291,322,893</u>

CITY OF LINCOLN, NEBRASKA
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(6) RECEIVABLES AND DUE FROM OTHER GOVERNMENTS

Receivables at August 31, 2014, consist of the following (in thousands):

Fund	Taxes	Accounts	Loans	Lease	Notes	Contributions	Special Assessment		Accrued Interest	Gross Receivables	Allowance For Uncollectibles	Net
							Current	Deferred				
General	\$ 3,386	2,381	-	-	-	-	-	-	71	5,838	-	5,838
Street Construction	-	231	-	-	-	-	-	-	90	321	-	321
West Haymarket JPA	1,441	452	-	-	-	-	-	-	148	2,041	-	2,041
Wastewater System	-	4,801	-	-	-	-	-	-	-	4,801	-	4,801
Water System	-	7,583	-	-	-	-	-	-	-	7,583	-	7,583
Electric System	-	33,929	-	-	-	-	-	-	36	33,965	1,250	32,715
Nonmajor -												
Special Revenue	1,459	360	23,306	-	147	-	-	-	69	25,341	4,547	20,794
Debt Service	762	-	-	-	-	-	740	2,646	46	4,194	249	3,945
Capital Projects	-	-	-	-	-	-	-	-	43	43	-	43
Permanent	-	-	-	-	-	-	-	-	2	2	-	2
Enterprise	-	6,500	-	-	-	-	-	-	31	6,531	3,363	3,168
Internal Service	-	382	-	445	-	-	-	-	60	887	-	887
Fiduciary	-	50	-	-	-	572	-	-	119	741	-	741
Total	\$ 7,048	56,669	23,306	445	147	572	740	2,646	715	92,288	9,409	82,879

Enterprise funds customer accounts receivable include unbilled charges for services. Delinquent special assessment receivables at August 31, 2014, were \$194,770.

The total of Due From Other Governments of \$25,199,673 includes the following significant items:

<u>Fund/Fund Type</u>	<u>Amount</u>	<u>Service</u>
General/Major Governmental	\$ 11,355,059	State of Nebraska, July/August Sales and Use Tax
	452,195	August Motor Vehicle Taxes Collected by Lancaster County
	10,392	August Property Tax Interest Collected by Lancaster County
	140,384	Federal Government, Cost Reimbursements
	18,776	State of Nebraska, Cost Reimbursements
	106,728	Lancaster County, Cost Reimbursements
Street Construction/Major Governmental	4,018,353	State of Nebraska, July/August Highway User Fees
	848,506	State of Nebraska, Cost Reimbursements
	391,675	Federal Government, Cost Reimbursements
West Haymarket JPA/Major Governmental	779,344	Federal Government, Cost Reimbursements
Wastewater/Major Enterprise	2,249,364	State of Nebraska, Cost Reimbursements
Water/Major Enterprise	567,771	State of Nebraska, Cost Reimbursements
Lincoln/Lancaster Co. Health/Special Revenue	367,599	Lancaster County, Cost Reimbursements
StarTran/Special Revenue	36,934	Federal Government, Cost Reimbursements
Federal Grants/Special Revenue	1,465,738	Federal Government, Cost Reimbursements
	337,088	State of Nebraska, Cost Reimbursements
Antelope Valley/Tax Supported Bonds/Debt Service	166,667	State of Nebraska, July/August Development Fund Disbursements
Special Assessment/Debt Service	40,344	August Special Assessments Collected by Lancaster County
Vehicle Tax/Capital Projects	1,625,998	August Motor Vehicle Taxes Collected by Lancaster County
Storm Sewer Bonds/Capital Projects	28,477	Federal Government, Cost Reimbursements
Other Capital Projects/Capital Projects	55,989	Federal Government, Cost Reimbursements
Parking System/Enterprise	14,438	State of Nebraska, Cost Reimbursements
Pinnacle Bank Arena/Enterprise	25,834	State of Nebraska Billings
Insurance Revolving/Internal Service	12,950	Lancaster County Billings
Police Garage/Internal Service	36,216	State of Nebraska Billings
Copy Services/Internal Service	<u>15,997</u>	Lancaster County Billings
Subtotal	25,168,816	
All other	<u>30,857</u>	
Total Due From Other Governments	<u>\$ 25,199,673</u>	

CITY OF LINCOLN, NEBRASKA
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(7) **CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 139,434,473	2,295,376	5,700	141,724,149
Construction in Progress	63,347,259	49,388,811	49,274,306	63,461,764
Total Capital Assets, not being Depreciated	<u>202,781,732</u>	<u>51,684,187</u>	<u>49,280,006</u>	<u>205,185,913</u>
Capital Assets, being Depreciated:				
Buildings	281,465,309	29,838,421	634,012	310,669,718
Improvements Other Than Buildings	73,478,740	20,491,366	174,501	93,795,605
Machinery and Equipment	91,321,400	6,637,129	3,256,161	94,702,368
Infrastructure	688,086,678	31,629,525	170,359	719,545,844
Total Capital Assets, being Depreciated	<u>1,134,352,127</u>	<u>88,596,441</u>	<u>4,235,033</u>	<u>1,218,713,535</u>
Less Accumulated Depreciation for:				
Buildings	36,692,759	6,468,355	376,476	42,784,638
Improvements Other Than Buildings	31,176,029	2,764,696	115,242	33,825,483
Machinery and Equipment	56,245,043	7,171,345	3,044,148	60,372,240
Infrastructure	232,721,488	20,686,010	97,376	253,310,122
Total Accumulated Depreciation	<u>356,835,319</u>	<u>37,090,406</u>	<u>3,633,242</u>	<u>390,292,483</u>
Total Capital Assets, being Depreciated, Net	<u>777,516,808</u>	<u>51,506,035</u>	<u>601,791</u>	<u>828,421,052</u>
Governmental Activities Capital Assets, Net	<u>\$ 980,298,540</u>	<u>103,190,222</u>	<u>49,881,797</u>	<u>1,033,606,965</u>
	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 24,238,655	206,852	5,319	24,440,188
Construction in Progress	88,479,429	102,779,516	105,915,631	85,343,314
Total Capital Assets, not being Depreciated	<u>112,718,084</u>	<u>102,986,368</u>	<u>105,920,950</u>	<u>109,783,502</u>
Capital Assets, being Depreciated:				
Buildings	217,762,168	23,324,228	888,861	240,197,535
Improvements Other Than Buildings	651,049,867	21,559,555	494,672	672,114,750
Machinery and Equipment	33,303,569	2,571,950	584,956	35,290,563
Utility Plant	1,300,208,000	59,689,000	7,418,000	1,352,479,000
Total Capital Assets, being Depreciated	<u>2,202,323,604</u>	<u>107,144,733</u>	<u>9,386,489</u>	<u>2,300,081,848</u>
Less Accumulated Depreciation for:				
Buildings	79,876,411	4,903,614	852,008	83,928,017
Improvements Other Than Buildings	194,941,356	13,141,571	584,533	207,498,394
Machinery and Equipment	19,592,295	2,270,653	299,092	21,563,856
Utility Plant	542,785,000	40,582,000	10,614,000	572,753,000
Total Accumulated Depreciation	<u>837,195,062</u>	<u>60,897,838</u>	<u>12,349,633</u>	<u>885,743,267</u>
Total Capital Assets, being Depreciated, Net	<u>1,365,128,542</u>	<u>46,246,895</u>	<u>(2,963,144)</u>	<u>1,414,338,581</u>
Business-type Activities Capital Assets, Net	<u>\$ 1,477,846,626</u>	<u>149,233,263</u>	<u>102,957,806</u>	<u>1,524,122,083</u>

CITY OF LINCOLN, NEBRASKA
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Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 1,491,197
Public Safety	2,214,877
Streets and Highways, including Infrastructure	20,004,989
Culture and Recreation	8,271,474
Economic Opportunity	52,391
Health and Welfare	289,304
Mass Transit	1,832,254
Subtotal	<u>34,156,486</u>
Internal Service Funds Capital Assets	
Depreciation is charged to the various functions based on usage of the assets.	2,933,920
Total Depreciation Expense - Governmental	<u>\$ 37,090,406</u>
Business-type Activities:	
Golf	602,055
Parking System	1,905,469
Pershing Municipal Auditorium	19,539
Pinnacle Bank Arena	580
Solid Waste Management	1,738,921
Emergency Medical Services	207,228
Wastewater System	7,785,109
Water System	8,056,937
Lincoln Electric System	40,582,000
Total Depreciation Expense - Business-type	<u>\$ 60,897,838</u>

Capital asset activity of each major enterprise fund was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Lincoln Wastewater System:				
Capital Assets, not being Depreciated:				
Land	\$ 6,001,129	204,827	-	6,205,956
Construction in Progress	4,936,246	9,731,736	5,439,022	9,228,960
Total Capital Assets, not being Depreciated	<u>10,937,375</u>	<u>9,936,563</u>	<u>5,439,022</u>	<u>15,434,916</u>
Capital Assets, being Depreciated:				
Buildings	79,914,073	94,954	18,950	79,990,077
Improvements Other Than Buildings	270,659,890	6,479,546	-	277,139,436
Machinery and Equipment	8,972,169	676,985	110,845	9,538,309
Total Capital Assets, being Depreciated	<u>359,546,132</u>	<u>7,251,485</u>	<u>129,795</u>	<u>366,667,822</u>
Less Accumulated Depreciation for:				
Buildings	26,981,563	1,874,085	18,950	28,836,698
Improvements Other Than Buildings	79,592,656	5,420,621	-	85,013,277
Machinery and Equipment	5,770,222	490,403	88,585	6,172,040
Total Accumulated Depreciation	<u>112,344,441</u>	<u>7,785,109</u>	<u>107,535</u>	<u>120,022,015</u>
Total Capital Assets, being Depreciated, Net	<u>247,201,691</u>	<u>(533,624)</u>	<u>22,260</u>	<u>246,645,807</u>
Wastewater System Capital Assets, Net	<u>\$ 258,139,066</u>	<u>9,402,939</u>	<u>5,461,282</u>	<u>262,080,723</u>

CITY OF LINCOLN, NEBRASKA
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	Beginning Balances	Increases	Decreases	Ending Balances
Lincoln Water System:				
Capital Assets, not being Depreciated:				
Land	\$ 5,451,747	2,025	-	5,453,772
Construction in Progress	5,699,028	18,678,560	20,044,464	4,333,124
Total Capital Assets, not being Depreciated	<u>11,150,775</u>	<u>18,680,585</u>	<u>20,044,464</u>	<u>9,786,896</u>
Capital Assets, being Depreciated:				
Buildings	68,002,744	12,521,171	730,340	79,793,575
Improvements Other Than Buildings	338,726,535	8,017,304	58,500	346,685,339
Machinery and Equipment	9,079,769	905,849	224,472	9,761,146
Total Capital Assets, being Depreciated	<u>415,809,048</u>	<u>21,444,324</u>	<u>1,013,312</u>	<u>436,240,060</u>
Less Accumulated Depreciation for:				
Buildings	27,009,184	1,344,654	695,340	27,658,498
Improvements Other Than Buildings	92,083,632	6,019,375	235,563	97,867,444
Machinery and Equipment	4,941,768	692,908	-	5,634,676
Total Accumulated Depreciation	<u>124,034,584</u>	<u>8,056,937</u>	<u>930,903</u>	<u>131,160,618</u>
Total Capital Assets, being Depreciated, Net	<u>291,774,464</u>	<u>13,387,387</u>	<u>82,409</u>	<u>305,079,442</u>
Water System Capital Assets, Net	<u>\$ 302,925,239</u>	<u>32,067,972</u>	<u>20,126,873</u>	<u>314,866,338</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Lincoln Electric System:				
Capital Assets, not being Depreciated:				
Construction in Progress	\$ 70,020,000	64,545,000	62,885,000	71,680,000
Capital Assets, being Depreciated:				
Utility Plant	1,300,208,000	59,689,000	7,418,000	1,352,479,000
Less Accumulated Depreciation	542,785,000	40,582,000	10,614,000	572,753,000
Total Capital Assets, being Depreciated, Net	<u>757,423,000</u>	<u>19,107,000</u>	<u>(3,196,000)</u>	<u>779,726,000</u>
Electric System Capital Assets, Net	<u>\$ 827,443,000</u>	<u>83,652,000</u>	<u>59,689,000</u>	<u>851,406,000</u>

The costs of LES retirement work orders are closed into accumulated depreciation which follows Federal Energy Regulatory Commission guidelines. Therefore, as shown above, the decrease in LES accumulated depreciation exceeds the decrease in Utility Plant assets and the decrease in Construction in Progress exceeds the increase in Utility Plant.

Interest incurred during the construction phase of capital assets of business-type activities is added to the cost of the underlying assets constructed and is amortized over the useful lives of the assets. During 2014, capitalized interest activity was as follows:

	Incurred Interest Cost	Capitalized Interest
Lincoln Wastewater System	\$ 3,082,903	193,487
Lincoln Water System	2,080,526	294,848
Lincoln Parking System	1,208,715	74,695
Solid Waste Management	169,801	122,150

Lincoln Electric System utility plant includes an allowance for funds used during construction for projects costing in excess of \$500,000. The allowance for funds used during construction is based on LES' approximate weighted-average interest rate on the new money portion of the most current debt during the current period. The weighted-average rate for 2013 was 3.5% from January thru June and 2.7% from July to December.

CITY OF LINCOLN, NEBRASKA
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(8) INTERFUND BALANCES AND ACTIVITY

Balances Due To/From Other Funds at August 31, 2014, consist of the following:

	Due To	Due From						Total
		General Fund	Street Construction	West Haymarket JPA	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	
General Fund	\$ -	13,897	16,992	40,309	1,080,107	598,000	1,749,305	
Street Construction	194,525	-	-	8,974,851	-	25,359	9,194,735	
West Haymarket JPA	108,592	-	-	-	-	-	108,592	
Nonmajor Governmental	183,654	-	-	1,405,084	20,000	-	1,608,738	
Lincoln Wastewater System	69,765	-	-	620,596	-	-	690,361	
Lincoln Water System	70,167	-	-	1,812,654	-	-	1,882,821	
Nonmajor Enterprise	48,769	5,179	100,640	-	129,260	-	283,848	
Internal Service	1,393,925	256,394	-	82,288	113,559	19,631	1,865,797	
Total	\$ 2,069,397	275,470	117,632	12,935,782	1,342,926	642,990	17,384,197	

“Due to” and “Due from” balances are recorded when funds overdraw their share of pooled cash. Other balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

During 2005 the City’s General Fund purchased the street light system from LES at an amount equal to the net book value of the street light system at the transaction date. The purchase was financed through an interfund borrowing. On the government-wide statements, the purchase was accounted for as a purchase of capital assets of governmental activities and a sale of capital assets of business-type activities. On the governmental fund statements, the General Fund recognized a liability in due to other funds and a prepayment for the funds borrowed from the City’s other funds. Each fund has recorded a receivable for the pro-rata share of the borrowed funds. The General Fund will pay back the amount borrowed plus interest in scheduled monthly installments over a period of 134 months. As payments are made, the General Fund will reduce the liability, the related prepayment, and recognize streets and highways expenditures.

Transfers To/From Other Funds for the year ended August 31, 2014, consist of the following:

	Transfer To	Transfer From							Total
		General Fund	Street Construction	West Haymarket JPA	Nonmajor Governmental	Lincoln Water System	Lincoln Electric System	Nonmajor Enterprise	
General Fund	\$ -	-	-	-	867,500	-	8,811,424	1,449,526	11,128,450
Street Construction	3,033,084	-	-	-	17,170,794	116,987	-	17,986	20,338,851
Nonmajor Governmental	18,655,780	5,167,935	453,466	6,960,349	50,000	-	1,156,154	-	32,443,684
Nonmajor Enterprise	400,000	-	203,800	-	-	-	-	-	603,800
Internal Service	158,807	325,000	-	-	-	-	-	-	483,807
Total	\$ 22,247,671	5,492,935	657,266	24,998,643	166,987	8,811,424	2,623,666	-	64,998,592

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) transfer payment in lieu of taxes and return on equity from LES to the General Fund.

The \$81,424 variance for transfers on the Statement of Activities is caused by the different fiscal year end dates used by the City (August 31) and Lincoln Electric System (December 31). Lincoln Electric System records an estimate for payments of return on equity as an accrued liability at December 31. The City however, receives the payments before the August 31 fiscal year end, and records the total amount as a transfer in.

CITY OF LINCOLN, NEBRASKA
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(9) **DEBT OBLIGATIONS**

SHORT-TERM

Established by City Ordinance, LES may borrow up to \$150 million under a commercial paper note program. At December 31, 2013, LES had \$64.5 million of tax-exempt commercial paper notes outstanding. The notes mature at various dates but not more than 270 days after the date of issuance. The weighted-average interest rate for the year ended December 31, 2013, was 0.14%. The outstanding commercial paper notes are secured by a revolving credit agreement, which provides for borrowings up to \$150 million. LES pays a commitment fee for the credit agreement. Under the terms of the agreement, LES can either settle or refinance the commercial paper upon maturity. LES uses commercial paper notes as part of their long-term financing strategy. As such, commercial paper is typically renewed as it matures. The weighted average length of maturity of commercial paper for 2013 was 43 days.

Commercial paper activity for the year ended December 31, 2013, is as follows:

Lincoln Electric System:	Beginning			Ending	Due Within
Commercial Paper Notes	Balance	Additions	Reductions	Balance	One Year
	\$ 88,500,000	680,010,000	(704,010,000)	64,500,000	64,500,000

LONG-TERM

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 \$3,941,983, \$2,989,196, \$4,804,519, and \$1,367,802 is currently available in the debt service funds to service the General Obligation Bonds, Tax Supported Bonds, Tax Allocation 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, street lights, emergency ambulances and defibrillators, fire engines, 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	\$ 1,774,450	\$ 210,000
Buildings	25,492,801	1,646,732
Improvements	219,925	-
Infrastructure	19,583,531	-
Machinery and Equipment	6,392,824	3,423,476
Construction in Progress	52,500	-
Less Accumulated Depreciation, (where applicable)	(10,664,292)	(2,568,981)
Total	\$ 42,851,739	\$ 2,711,227

CITY OF LINCOLN, NEBRASKA
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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 coverages.

In June 2013, LES issued \$75,525,000 of revenue and refunding bonds to advance refund \$53,710,000 of series 2005 bonds and redeem \$24,000,000 of outstanding commercial paper notes. The net proceeds off the refunding bonds were used to purchase U.S. government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the portion of the series 2005 bonds refunded are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding resulted in debt service savings of approximately \$36,605,000 and net present value savings of approximately \$12,726,000.

Lincoln Wastewater System has entered into a loan agreement with the Nebraska Department of Environmental Quality (NDEQ) consisting of two separate contracts. Under contract 317247 the Lincoln Wastewater System has borrowed \$4,808,792 to fund certain sewer system extension and sewer repairs. The System also borrowed \$5,000,000 under contract 317078 to fund certain treatment facilities projects. The interest rate throughout the term of the loan is 2.0%.

The Wastewater System has also entered into a \$17,000,000 loan agreement with NDEQ to fund certain System improvements. The interest rate during the period of construction is 2%. After the date of initiation of operation, the interest rate will increase to 2.25%. In addition, an administrative fee of 1% will be incurred on the loan. During the fiscal year ended August 31, 2014, Lincoln Wastewater System incurred project costs totaling \$7,272,120, resulting in a project loan payable of \$14,626,937, which is net of \$435,000 of principal payments. The remaining available funds totaling \$1,938,063 are not reflected in the financial statements.

Lincoln Water System has entered into a \$15,000,000 loan agreement with NDEQ. This funding is available to fund certain water system extension and water repairs. The interest rate during the period of construction is 2%. After the date of initiation of operation, the interest rate will increase to 2.25%. In addition, an administrative fee of 1% will be incurred on the loan. During the year ended August 31, 2014, project costs were incurred totaling \$4,726,232, resulting in the recognition of a project loan payable of \$13,775,127, which is net of \$238,000 of principal payments. The remaining available funds totaling \$986,873 are not reflected in the financial statements.

CITY OF LINCOLN, NEBRASKA
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Long-term bonded debt of the City is comprised of the following individual issues (in thousands of dollars):

Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
Governmental Activities:							
General Obligation Bonds:							
General Bonds:							
\$ 9,950	06/15/05	Storm Sewer Construction	3.250 - 4.250	Serial 2006 to 2025	2015	Semiannually	\$ 6,340
8,295	06/27/07	Stormwater Drainage and Flood Mgmt	4.625 - 5.000	Serial 2008 to 2027	2017	"	6,230
8,200	02/10/11	Stormwater Bonds	2.000 - 4.500	Serial 2013 to 2030	2020	"	7,470
19,290	06/21/11	Refunding	0.200 - 5.000	Serial 2011 to 2022	2019	"	14,525
8,090	06/26/12	Refunding	1.000 - 3.000	Serial 2013 to 2023	---	"	6,310
6,385	03/20/13	Stormwater Bonds	2.000 - 4.000	Serial 2014 to 2029	2023	"	6,385
1,515	03/20/13	Stormwater Bonds	3.125	Term 2032	2023	"	1,515
Total General Bonds							\$ 48,775
Tax Allocation Bonds:							
\$ 5,500	04/21/04	Tax Allocation Bonds	3.000 - 4.800	Serial 2004 to 2015	2010	Semiannually	\$ 1,415
365	08/15/05	Tax Allocation Bonds	4.750	Serial 2006 to 2018	Anytime	"	125
288	10/01/06	Tax Allocation Bonds	5.100	Serial 2008 to 2016	Anytime	"	89
2,205	04/05/07	Tax Allocation Bonds	5.000 - 5.550	Serial 2009 to 2018	2012	"	1,245
601	06/01/07	Tax Allocation Bonds	5.240	Serial 2008 to 2018	Anytime	"	518
388	06/01/07	Tax Allocation Bonds	5.240	Serial 2007 to 2020	Anytime	"	220
369	06/15/07	Tax Allocation Bonds	5.400	Serial 2007 to 2014	Anytime	"	29
42	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2021	Anytime	"	27
71	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2017	Anytime	"	48
474	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2022	Anytime	"	168
547	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	362
200	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	130
611	06/30/09	Tax Allocation Bonds	7.000	Serial 2011 to 2023	Anytime	"	544
3,375	07/28/09	Tax Allocation Bonds	2.500 - 6.400	Serial 2011 to 2023	Anytime	"	2,760
263	04/01/11	Tax Allocation Bonds	3.990	Serial 2011 to 2022	Anytime	"	204
103	04/15/13	Tax Allocation Bonds	2.370	Serial 2013 to 2025	Anytime	"	92
Total Tax Allocation Bonds							\$ 7,976
Tax Supported Bonds:							
\$ 27,000	12/05/06	Highway Allocation Fund	4.000 - 5.000	Serial 2008 to 2027	2016	Semiannually	\$ 19,865
28,095	06/06/12	Highway Allocation Fund Refunding	1.000 - 5.000	Serial 2012 to 2023	---	"	25,110
16,515	07/23/13	Limited Tax Arena Bonds	2.000 - 4.500	Serial 2016 to 2031	2023	"	16,515
2,635	07/23/13	Limited Tax Arena Bonds	2.000 - 4.500	Term 2035	2023	"	2,635
5,850	07/23/13	Limited Tax Arena Bonds	2.000 - 4.500	Term 2037	2023	"	5,850
Total Tax Supported Bonds							\$ 69,975
Special Assessment Bonds:							
\$ 825	08/18/11	Special Assessment	0.400 - 3.700	Serial 2012 to 2026	2016	Semiannually	\$ 675
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	"	2,615
Total Special Assessment Bonds							\$ 3,665
West Haymarket Joint Public Agency							
\$ 31,515	09/08/10	Facility Bonds Taxable Build America Bonds	3.500 - 4.450	Serial 2020 to 2030	Anytime	Semiannually	\$ 31,515
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 to 2025	Anytime	"	15,785
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
44,290	08/24/11	Facility Bonds	3.500 - 5.000	Serial 2021 to 2032	2021	"	44,290
55,710	08/24/11	Facility Bonds	4.250 / 5.000	Term 2036 & 2042	2021	"	55,710
20,850	12/04/13	Facility Bonds	2.000 - 5.000	Serial 2014 to 2038	2023	"	20,850
7,325	12/04/13	Facility Bonds	4.500	Term 2043	2023	"	7,325
Total West Haymarket Joint Public Agency							\$ 378,175
TOTAL GENERAL OBLIGATION BONDS							\$ 458,566
Tax Supported Bonds:							
\$ 11,080	3/13/02	Antelope Valley Project	1.500 - 5.000	Serial 2002 to 2016	2012	Semiannually	\$ 3,690

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Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
Business-Type Activities:							
Revenue Bonds:							
\$ 18,000	08/03/05	Wastewater Revenue	4.000 - 5.000	Serial 2006 to 2030	2015	Semiannually	\$ 13,320
16,710	04/18/07	Wastewater Revenue	4.000 - 4.500	Serial 2008 to 2029	2017	"	12,980
3,750	04/18/07	Wastewater Revenue	4.375	Term 2032	2017	"	3,750
38,290	05/24/12	Wastewater Revenue Refunding	1.000 - 5.000	Serial 2013 to 2028	2023	"	34,275
Total Wastewater Bonds							\$ 64,325
\$ 10,515	08/04/09	Water Revenue	2.000 - 4.125	Serial 2013 to 2029	2019	Semiannually	\$ 9,575
4,905	08/04/09	Water Revenue	4.500	Term 2034	2019	"	4,905
10,895	06/21/12	Water Revenue Refunding	1.000 - 4.000	Serial 2013 to 2022	---	"	8,860
28,595	05/30/13	Water Revenue Refunding	1.000 - 5.000	Serial 2014 to 2025	2023	"	26,035
Total Water Bonds							\$ 49,375
\$ 7,745	01/27/11	Parking Revenue and Refunding	2.000 - 5.000	Serial 2015 to 2024	2021	Semiannually	\$ 7,745
10,775	01/27/11	Parking Revenue and Refunding	5.000 / 5.125 / 5.500	Term 2026 & 2031	2021	"	10,775
9,315	11/29/12	Parking Revenue and Refunding	0.400 - 4.000	Serial 2013 to 2027	2022	"	7,920
2,765	11/29/12	Parking Revenue and Refunding	3.000	Term 2032	2022	"	2,765
Total Parking Bonds							\$ 29,205
\$ 8,340	02/26/13	Solid Waste Management Revenue and Refunding	.250 - 4.000	Serial 2013 to 2029	2023	Semiannually	\$ 7,315
\$ 93,045	10/01/03	Electric Revenue and Refunding Bonds	3.000 - 5.000	Serial 2004 to 2026	2013	Semiannually	\$ 6,760
183,230	05/15/07	Electric Revenue and Refunding Bonds	4.000 - 5.000	Serial 2009 to 2035	2016	"	163,835
81,850	05/15/07	Electric Revenue and Refunding Bonds	4.500 / 4.750	Term 2034 & 2037	2016	"	81,850
247,150	08/15/12	Electric Revenue and Refunding Bonds	1.000 - 5.000	Serial 2013 to 2032	2022	"	235,305
30,165	08/15/12	Electric Revenue and Refunding Bonds	3.625 - 5.000	Term 2037	2022	"	30,165
75,525	06/20/13	Electric Revenue and Refunding Bonds	2.700 - 5.000	Serial 2021 to 2025	2023	"	75,525
Total Electric Bonds							\$ 593,440
TOTAL REVENUE BONDS							\$ 743,660

Annual requirements to pay principal and interest to maturity on outstanding debt follow (in thousands of dollars):

Fiscal Year Ended August 31	Governmental Activities					
	General Obligation Bonds		Tax Supported Bonds		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 10,139	21,035	815	162	5,346	1,238
2016	11,405	20,683	855	122	6,200	1,136
2017	10,538	20,322	2,020	51	4,590	978
2018	10,766	19,962	-	-	3,940	852
2019	10,585	19,577	-	-	3,667	745
2020 - 2024	79,297	89,858	-	-	15,030	2,261
2025 - 2029	70,951	72,878	-	-	4,743	357
2030 - 2034	70,825	57,339	-	-	215	10
2035 - 2039	78,305	39,436	-	-	-	-
2040 - 2044	82,775	17,781	-	-	-	-
2044 - 2046	22,980	1,363	-	-	-	-
Total	\$ 458,566	380,234	3,690	335	43,731	7,577

Fiscal Year Ended August 31	Business-Type Activities					
	Revenue Bonds		Loans/Note Payable		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 29,895	31,967	1,828	1,051	399	36
2016	31,075	30,735	1,646	1,011	346	29
2017	33,060	29,490	1,687	969	352	23
2018	34,445	28,052	1,730	975	202	17
2019	35,900	26,526	1,774	881	155	13
2020 - 2024	201,150	107,131	9,382	3,689	485	19
2025 - 2029	165,810	64,967	9,907	2,361	-	-
2030 - 2034	120,915	34,207	9,727	847	-	-
2035 - 2038	91,410	12,431	-	-	-	-
Total	\$ 743,660	365,506	37,681	11,734	1,939	137

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Major Enterprise fund annual requirements to pay principal and interest to maturity on outstanding debt follow (in thousands of dollars):

Fiscal Year Ended August 31	Major Enterprise Funds					
	Wastewater System		Water System		Electric System	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 4,343	3,145	4,310	2,154	21,060	26,371
2016	4,372	2,962	4,254	2,078	22,050	25,382
2017	4,537	2,778	4,320	2,000	23,800	24,398
2018	4,627	2,666	4,433	1,858	24,990	23,208
2019	4,723	2,543	4,556	1,712	26,240	21,958
2020 - 2024	25,963	10,238	22,329	5,932	151,345	89,640
2025 - 2029	27,478	4,896	9,824	2,728	126,600	56,906
2030 - 2034	10,388	833	9,124	1,082	105,945	32,762
2035 - 2038	-	-	-	-	91,410	12,431
Total	\$ 86,431	30,061	63,150	19,544	593,440	313,056

Long-term liability activity for the year ended August 31, 2014, was as follows (in thousands of dollars):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and Leases Payable:					
General Bonds	\$ 53,015	-	(4,240)	48,775	4,825
Tax Allocation Bonds	9,254	-	(1,278)	7,976	1,324
Tax Supported Bonds	73,165	-	(3,190)	69,975	3,275
Special Assessment Debt with Government Commitment	3,840	-	(175)	3,665	175
West Haymarket Joint Public Agency Bonds	300,000	28,175	-	328,175	540
Tax Supported Antelope Valley Project Bonds	4,470	-	(780)	3,690	815
Capital Leases	39,043	9,500	(4,812)	43,731	5,346
Gross Bonds and Leases Payable	482,787	37,675	(14,475)	505,987	16,300
Deferred Amounts:					
For Issuance Premiums	12,612	683	(513)	12,782	-
For Issuance Discounts	(1,002)	-	2	(1,000)	-
Net Bonds and Leases Payable	494,397	38,358	(14,986)	517,769	16,300
Other Liabilities:					
Compensated Absences	17,608	8,504	(8,163)	17,949	8,338
Construction Contracts	4,356	-	(14)	4,342	-
Claims and Judgements	9,780	28,453	(28,012)	10,221	4,253
Net Pension Obligation	3,252	-	(630)	2,622	-
Net OPEB Obligation	7,442	1,327	-	8,769	-
Governmental Activities Long-Term Liabilities	\$ 536,835	76,642	(51,805)	561,672	28,891
Business-Type Activities:					
Bonds, Loans, Note, and Leases Payable:					
Wastewater Revenue Bonds	\$ 67,570	-	(3,245)	64,325	3,315
Wastewater Loan Payable	17,990	4,925	(809)	22,106	1,028
Water Revenue Bonds	53,060	-	(3,685)	49,375	3,710
Water Loan Payable	9,439	4,574	(238)	13,775	600
Electric System Revenue Bonds	591,490	75,525	(73,575)	593,440	21,060
Parking Revenue Bonds	30,515	-	(1,310)	29,205	1,260
Solid Waste Management Revenue Bonds	7,865	-	(550)	7,315	550
Pinnacle Bank Arena Note	1,575	425	(200)	1,800	200
Capital Leases	2,389	-	(450)	1,939	398
Gross Bonds, Loans, Note, and Leases Payable	781,893	85,449	(84,062)	783,280	32,121
Deferred Amounts:					
For Issuance Premiums	49,303	6,447	(5,534)	50,216	-
For Issuance Discounts	(63)	-	2	(61)	-
Net Bonds, Loans, Note, and Leases Payable	831,133	91,896	(89,594)	833,435	32,121
Other Liabilities:					
Compensated Absences	2,170	1,356	(1,268)	2,258	1,344
Construction Contracts	5,715	5,728	(5,428)	6,015	5,813
Claims and Judgements	1,083	5,729	(5,153)	1,659	1,200
Net OPEB Obligation	1,144	196	-	1,340	-
Accrued Landfill Closure/Postclosure Care Costs	15,904	823	(21)	16,706	-
Business-Type Activities Long-Term Liabilities	\$ 857,149	105,728	(101,464)	861,413	40,478

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Internal Service funds predominantly serve the governmental funds. Therefore, their long-term liabilities are included with the governmental activities above. Compensated absences for governmental activities are generally liquidated in the General Fund as well as various other Special Revenue and Internal Service funds where personal costs are incurred. The construction contracts are liquidated in the Street Construction fund, financed primarily with impact fee collections. The claims and judgments liability will generally be liquidated through the City's Insurance Revolving Internal Service Fund, which will finance the payment of those claims by charging other funds based on management's assessment of the relative insurance risk that should be assumed by individual funds. The net pension obligation will be liquidated through the Police & Fire Pension Contributions Special Revenue Fund with financing provided by an annual property tax levy. The net OPEB obligation for an implicit rate subsidy will be liquidated with those governmental funds where personal insurance costs are incurred.

Long-term liability activity for the major enterprise funds for the year ended August 31, 2014, was as follows (in thousands of dollars):

	Ending Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lincoln Wastewater System:					
Bonds and Loans Payable:					
Wastewater Revenue Bonds	\$ 67,570	-	(3,245)	64,325	3,315
Wastewater Loans Payable	17,990	4,925	(809)	22,106	1,028
Deferred for Issuance Premiums	3,759	-	(253)	3,506	-
Deferred for Issuance Discounts	(9)	-	1	(8)	-
Net Bonds and Loans Payable	<u>89,310</u>	<u>4,925</u>	<u>(4,306)</u>	<u>89,929</u>	<u>4,343</u>
Other Liabilities:					
Compensated Absences	653	383	(369)	667	384
Construction Contracts	1,647	3,255	(1,529)	3,373	3,255
Net OPEB Obligation	221	8	-	229	-
Total Long-Term Liabilities	<u>\$ 91,831</u>	<u>8,571</u>	<u>(6,204)</u>	<u>94,198</u>	<u>7,982</u>
Lincoln Water System:					
Bonds and Loan Payable:					
Water Revenue Bonds	\$ 53,060	-	(3,685)	49,375	3,710
Water Loan Payable	9,439	4,574	(238)	13,775	600
Deferred for Issuance Premiums	3,623	-	(330)	3,293	-
Deferred for Issuance Discounts	(30)	-	2	(28)	-
Net Bonds and Loan Payable	<u>66,092</u>	<u>4,574</u>	<u>(4,251)</u>	<u>66,415</u>	<u>4,310</u>
Other Liabilities:					
Compensated Absences	950	491	(465)	976	483
Construction Contracts	4,069	2,473	(3,900)	2,642	2,558
Net OPEB Obligation	322	34	-	356	-
Total Long-Term Liabilities	<u>\$ 71,433</u>	<u>7,572</u>	<u>(8,616)</u>	<u>70,389</u>	<u>7,351</u>
Lincoln Electric System:					
Bonds Payable:					
Electric System Revenue Bonds	\$ 591,490	75,525	(73,575)	593,440	21,060
Deferred for Issuance Premiums	41,091	6,447	(4,895)	42,643	-
Net Bonds Payable	<u>632,581</u>	<u>81,972</u>	<u>(78,470)</u>	<u>636,083</u>	<u>21,060</u>
Other Liabilities:					
Claims and Judgements	1,083	5,729	(5,153)	1,659	1,200
Total Long-Term Liabilities	<u>\$ 633,664</u>	<u>87,701</u>	<u>(83,623)</u>	<u>637,742</u>	<u>22,260</u>

DEVELOPER PURCHASED TAX INCREMENT FINANCING NOTES AND BONDS

At August 31, 2014, \$21,619,776 of developer purchased tax increment financing notes and bonds were outstanding. Developer purchased tax increment financing allows the City to create special districts to enable public/private improvements within those districts that will generate public/private-sector development. For a period of 15 years, the tax base is frozen at the predevelopment level, and taxes generated from the incremental increases in assessed value are remitted to the developer. The agreements between the City and developer expressly limit the City's commitment for debt repayment to the

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incremental tax collected during the 15-year period. At the end of the 15-year period, the tax jurisdiction collects on the increased property values. The related tax increment districts are not component units of the City, therefore, the City is not liable for the outstanding debt. The City's responsibility for this liability is limited only to remittance of paid taxes, thus these notes and bonds are not reflected in the City's financial statements.

CONDUIT DEBT

On January 26, 2012, the City issued \$19,815,000 of Educational Facilities Revenue and Refunding Bonds for the purpose of paying the cost of acquiring, constructing, equipping and furnishing improvements to Nebraska Wesleyan University's (NWU) higher education facilities and refinancing certain outstanding indebtedness of NWU.

The Bonds are limited obligations of the City and are payable solely from payments to be made by NWU pursuant to a loan agreement dated January 1, 2012, by and between the City and NWU. The Bonds shall not be a charge against the City's general credit or taxing powers. The Bonds shall never constitute an indebtedness of the City within the meaning of any constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the City, thus these bonds are not reflected in the City's financial statements. At August 31, 2014, \$18,380,000 of these bonds remain outstanding.

(10) RECONCILIATION OF BUDGET BASIS TO GAAP

Amounts presented on a non-GAAP budget basis of accounting differ from those presented in accordance with GAAP due to the treatment afforded accruals, encumbrances, funds for which budget and reporting structures differ, and funds for which legally adopted annual budgets are not established. A reconciliation for the year ended August 31, 2014, which discloses the nature and amount of the adjustments necessary to convert the actual GAAP data to the budgetary basis, is presented below:

	<u>General Fund</u>	<u>Street Construction Fund</u>
Net Change in Fund Balances:		
Balance on a GAAP basis	\$ 2,245,147	16,334,337
Basis differences (accruals) occur because the cash basis of accounting used for budgeting differs from the modified accrual basis of accounting prescribed for governmental funds.	2,667,242	(399,619)
Perspective differences occur when the structure used for budgeting differs from the fund structure used for financial reporting.	521,907	-
Amount budgeted on a project basis.	-	13,375,182
Balance on a budget basis	<u>\$ 5,434,296</u>	<u>29,309,900</u>

(11) DEFICIT NET POSITION

The following funds had a net position or fund balance deficit as of August 31, 2014:

Special Revenue - Impact Fees Fund	\$ (144,837)
Enterprise - Pinnacle Bank Arena Fund	(1,781,045)
Internal Service - Engineering Revolving Fund	(911,859)
Internal Service - Communication Services Fund	(12,438)
Internal Service - Copy Services Fund	(37,831)

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- The Impact Fees Fund deficit is expected to be reduced through future fee collections.
- The Pinnacle Bank Arena Fund was created to manage the operation of a new Arena which opened in August, 2013. The Fund deficit is expected to be reduced through future revenue collections.
- The Engineering Revolving Fund is evaluating various means to reduce expenses and improve revenue collections affected by staffing levels, overhead costs, billing practices, and intra-City services reimbursements.
- The Communication Services Fund is currently adjusting their billing process and when completed is expected to reduce the deficit.
- The Copy Services Fund deficit is expected to be reduced by an increase in fees charged.

(12) EXCESSES OF EXPENDITURES OVER APPROPRIATIONS

The following funds had expenditures for which there were no appropriations:

General Fund		
Financial Administration	\$	754,989
Traffic Engineering		104,455
Street Lighting		2,599,631
Debt Service		39,803
Street Construction Fund		
Streets and Highways		134,019

(13) EMPLOYEES' RETIREMENT PLANS

The employees of the City are covered by several retirement plans. Article II Section 3 of the Lincoln Charter assigns the authority to establish and amend benefit provisions of the various plans to the City Council. The Police and Fire Department Plan (PFDP) is administered by the City and is included in the Fiduciary Fund type. All other plans are administered by outside trustees and are not included in the City's basic financial statements.

POLICE AND FIRE PENSION

Plan Description – PFDP is a single-employer defined benefit pension plan administered by the City of Lincoln for all commissioned police and firefighters. PFDP provides retirement, disability, and death benefits to plan members and beneficiaries. PFDP recognizes plan member contributions in the period in which they are due. Employer contributions are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Cost-of-living adjustments are provided to members and beneficiaries in accordance with the plan document. The City does not issue a separate report that includes financial statements and required supplementary information for PFDP.

Summary of Benefit Provisions -

Plan A is applicable to members who were hired on/after April 1, 1995 or who were hired prior to that date, but elected Plan A coverage.

Plan B is applicable to members who were employed on/after April 11, 1984 or who, prior to April 11, 1984, elected Plan B coverage.

Plan C is applicable to members who were employed before April 11, 1984 and did not elect to move to Plan B or A.

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Regular Pay - All plans include member's base pay and City's contributions to the Post-Employment Health Plan for the last consecutive 26 bi-weekly pay periods, or in the case of a demotion, the highest consecutive 26 bi-weekly pay periods.

Normal Retirement Age – Plan A: Age 50
Plans B and C: Age 53

Normal Retirement – Plan A: Normal retirement age and 25 years of service.
Plans B and C: Normal retirement age and 21 years of service.

Amount of Pension –

- Plan A: 2.56% of regular pay times years of service to a maximum of 64% or regular pay.
- Plan B: 58% of regular pay with 21 years of service, plus 2% of regular pay for each year of service rendered after becoming eligible for retirement to a maximum increase of 10%.
- Plan C: 54% of regular pay with 21 years of service, plus 2% of regular pay for each year of service rendered after becoming eligible for retirement to a maximum increase of 10%.

Early Retirement - Eligibility for all plans is age 50 and 21 years of service.

Amount of Pension –

- Plan A: 2.56% of regular pay times years of service up to a maximum of 64% of regular pay.
- Plan B and C: 52% and 48% of regular pay, respectively, plus 2% of regular pay for each year of service rendered after becoming eligible, up to a maximum increase of 6%.

Deferred Annuity (Vested Separation) - Eligibility for all plans is 10 years of service, until eligible for early retirement.

Amount of Pension –

- Plan A: 2.56% of regular pay times years of service.
- Plan B: 58% of regular pay with 21 years of service. Members with less than 21 years of service receive a ratio of years of service to 21 years of 58% of regular pay.
- Plan C: 54% of regular pay with 21 years of service. Members with less than 21 years of service receive a ratio of years of service to 21 years of 54% of regular pay.

Duty-Related Disability - Eligibility for all plans is permanent inability to perform the duties of the position from a cause occurring while in line of duty.

Amount of Pension –

- Plan A: 58% of regular pay.
- Plan B and C: A benefit equal to 58% or 54% of regular pay respectively, plus 2% of regular pay for each year of service rendered after becoming eligible for retirement, to a maximum increase of 10% of regular pay.

Such benefits shall continue after the member's death to the member's surviving spouse (until their death or remarriage), minor children or designated beneficiary (at a reduced amount). The above amounts are subject to deduction of the amount received from worker's compensation.

Non-Duty Disability - Eligibility for all plans is permanent inability to perform duties of position from a cause not occurring in the line of duty.

Amount of Pension – equal to the following percent of regular pay:

<u>Years of Service (YOS)</u>	<u>Plan A</u>	<u>Plan B</u>	<u>Plan C</u>
5 ≤ YOS < 10	23%	23%	21%
10 ≤ YOS < 15	39%	39%	36%
YOS ≥ 15	53%	53%	49%

Duty-Related Death - Eligibility for all plans is an active member death in the line of duty, or as a result of injuries received while in the line of duty.

Amount of Pension –

Spouse beneficiary paid at duty disability rate until remarriage or death. Upon spouse's remarriage or death, dependent children paid at same rate until age 19. Non-spouse beneficiary paid at 100% survivor rate for lifetime.

The above amounts are subject to deduction of the amount received from worker's compensation.

Non-Duty Death - Eligibility for all plans is member dies from non-duty related cause and 5 years of service.

Amount of Pension - Benefits which would have been payable as a non-duty disability awarded the day prior to death (joint and 100% survivor).

Death After Retirement - Monthly benefit may continue to surviving spouse or non-spouse beneficiary, and is dependent on form of payment.

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After monthly benefits cease a lump sum benefit is payable to survivors of members employed on or after January 1, 1992 to March 31, 2010 equal to the member's unrefunded accumulated contributions and interest multiplied by the ratio of the number of expected payments received to the number of expected payments. Survivors of other members receive a death benefit after monthly benefits cease, equal to the member's unrefunded accumulated contributions and interest less the sum of monthly benefits received.

Non-Vested Termination - Eligibility for all plans includes termination of employment and no pension is or will become payable.

Amount of Benefit – all plans will refund member's contributions plus annual interest.

Employee Contributions - Plan A: 8.0% of pay

Plan B: 7.6% of pay

Plan C: 7.0% of pay

Upon reaching 21 years of service, member contributions are discontinued for Plans B and C.

Cost of Living Adjustments (COLA) – Eligibility requirements include receiving benefits for at least twelve months preceding September 1. The lump sum payment will be a base amount of \$750 effective 9/1/1994. The lump sum payment amount will be annually increased by the lesser of three percent or the percentage increase in the Consumer Price Index for the last full calendar year prior to each September 1.

Reserves – Per City Ordinance, lump sum COLA payments are to be paid from an accounting pool which is funded by the interest differential between the pension fund's earned rate of interest and the actuarially assumed rate of interest, multiplied by a ratio of the retirant and beneficiary liability over the total liability of the fund. All such annual additions to the pool plus regular interest earned and applicable to the amounts allocated to the accounting pool shall constitute the pool of funds from which the COLA payments are to be paid. The market value of the COLA Pool as of August 31, 2014 is \$28,508,053.

Deferred Retirement Option Plan (DROP) - The City has established DROP for police and fire pension members. The DROP program allows a member to retire for pension purposes, but to continue working. The member receives a paycheck and the member's monthly pension benefit is deposited into the member's DROP account. At the end of five years, or anytime before five years, the member must "retire-in-fact". Contributions to the pension are eliminated at the beginning of the DROP period. Pension benefits are set, and will not be increased because of raises, promotions, increased years of service or pension enhancements. When a member retires-in-fact, their monthly pension benefit will be paid directly to them and the member will have access to the funds in their DROP account. The balance held by the third party DROP administrator at August 31, 2014 is \$7,358,040.

Membership of the pension plan consisted of the following at August 31, 2014, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	465
Terminated plan members entitled to but not yet receiving benefits	27
Active plan members (non-DROP)	555
DROP members	52
Total	1,099
Number of participating employers	1

Funding Policy – The contribution requirements of plan members and the City are established by City Ordinance and may be amended by the City Council. Plan members are required to contribute between 7% and 8% of their annual covered salary based on an election made by the employee. It is recommended that the City contribute at an actuarially determined rate; the rate for fiscal year 2014 was 19.49% of annual covered payroll. Actual contributions by the City were 20.76% of annual covered payroll. Administrative costs of PFDP are financed through employer contributions of property tax revenue.

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Annual Pension Cost and Net Pension Obligation – The City’s annual pension cost and net pension obligation to PFDP for the current year were as follows:

(Dollar amounts in thousands)

Annual required contribution	\$ 7,378
Interest on net pension obligation	244
Adjustment to annual required contribution	<u>(386)</u>
Annual pension cost	7,236
Contributions made	<u>(7,866)</u>
Decrease in net pension obligation	(630)
Net pension obligation-beginning	<u>3,252</u>
Net pension obligation-ending	<u><u>\$ 2,622</u></u>

Three-Year Trend Information
(Dollar amounts in thousands)

Year Ended <u>August 31</u>	Annual Pension Cost (APC) <u> </u>	Annual Pension Contribution <u> </u>	Percentage of APC Contributed <u> </u>	Net Pension Obligation <u> </u>
2014	\$ 7,236	\$ 7,866	109 %	\$ 2,622
2013	6,583	6,447	98	3,252
2012	5,411	6,052	112	3,116

Actuarial Methods and Assumptions – The annual required contribution for the current year was determined as part of the August 31, 2012, actuarial valuation using the entry age actuarial funding method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 4.25 to 8.25% per year, including wage inflation at 4.25%, and (c) the assumption that benefits will not increase after retirement. The actuarial value of assets was determined using a five year smoothed market method. The unfunded actuarial accrued liability is being amortized as a level percentage of payrolls on an open basis over a period of thirty years.

Funded Status and Funding Progress – As of August 31, 2014, the most recent actuarial valuation date, the plan is 66% funded. The actuarial accrued liability for benefits is \$262,918,401, and the actuarial value of assets is \$174,569,411, resulting in an unfunded actuarial accrued liability (UAAL) of \$88,348,990. The covered payroll (annual payroll of active employees covered by the plan) is \$37,887,505, and the ratio of the UAAL to the covered payroll is 233.19%.

The Schedule of Funding Progress, presented as RSI following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Net Pension Liability

GASB Statement No. 67 requires the City to calculate and present the various components of the net pension liability, which includes different factors and assumptions than the UAAL shown above, which is determined in accordance with the provisions of GASB Statement No. 27. For its August 31, 2015 fiscal year-end, the City will implement the provisions of GASB Statement No. 68, which supersedes and replaces the requirements of Statement No. 27. Therefore, in future years, only the net pension liability will be reported in the City’s financial statements and notes.

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The components of the net pension liability of the PFDP at August 31, 2014, were as follows:

Total pension liability	\$ 275,933,840
Plan fiduciary net position (market value)	<u>(213,342,815)</u>
Net pension liability	<u>\$ 62,591,025</u>

Plan fiduciary net position as a percentage of the total pension liability	77.32%
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The total pension liability was determined by an actuarial valuation using the entry age normal cost method and calculated based on the discount rate and actuarial assumptions below.

Valuation date	September 1, 2014
Measurement date	August 31, 2014

Assumptions - The actuarial assumptions that determined the total pension liability as of August 31, 2014 were based on the results of an actuarial experience study for the period September 1, 2009 - August 31, 2014. Based on the results of that analysis, the following changes to the actuarial assumptions were included in the 2014 calculations:

- Expected future investment returns have been reduced from 7.50% to 6.75% compounded annually.
- Assumed salary increase rates, including inflation, have been reduced from a range of 4.25% - 8.25% to a range of 3.5% - 7.3%.
- Mortality tables have been updated to the RP2000 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational improvement per Scale AA for healthy participants.
- The payroll growth assumption has been reduced from 4.25% to 3.00%.

Discount Rate

Discount rate - 6.75%

Long-term expected rate of return, net of investment expense - 6.75%

Municipal bond rate - N/A

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Long-Term Rate of Return - The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Actual long-term historical results achieved by the Fund were also considered. Best estimate of arithmetic real rate of return for each major asset class included in the pension plan's target asset allocation as of August 31, 2014, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	-1.50 %
Alternative Investments	5.06
Fixed Income	1.32
Equity	7.31

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of City of Lincoln, calculated using the discount rate of 6.75%, as well as what the City of Lincoln's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate.

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	<u>1%</u> <u>Decrease</u> <u>5.75%</u>	<u>Current</u> <u>Discount Rate</u> <u>6.75%</u>	<u>1%</u> <u>Increase</u> <u>7.75%</u>
Total pension liability	\$ 311,518,038	275,933,840	246,099,681
Fiduciary net position	213,342,815	213,342,815	213,342,815
Net position liability	98,175,223	62,591,025	32,756,866

Rate of Return - For the year ended August 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.67 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

ELECTRIC SYSTEM

The City owns and operates its own electric system which is included in the enterprise funds in the accompanying basic financial statements. The electric system is controlled and managed by an administrative board and is not supported by the City's general tax revenues. The electric system provides retirement benefits to its employees under its own separate plan, such benefits being funded solely from revenues derived from the operation of the electric system. A summary of the electric system plan is as follows:

LES has a defined contribution retirement plan created in accordance with Internal Revenue Code Section 401(K) covering all employees upon employment. The plan assets are held, managed and administered by a custodian. The plan was established under the authority of the administrative board and contributions are also established by the administrative board. LES' contribution is equal to 200% of the employees' contributions, up to 5% of gross wages for employees hired prior to 1/1/11. For employees hired after 1/1/11, LES' contribution is equal to 100% of employee's contributions up to 10% of gross wages. Vesting of LES contributions occurs over a three-year period. Employee forfeitures are used to reduce employer contributions. For the year ended December 31, 2013, LES incurred contribution expense of approximately \$3,634,000 or 9.34% of covered payroll and its employees contributed approximately \$2,647,000 or 6.80% of covered payroll.

DEPARTMENT DIRECTORS

Directors of City departments are eligible the first of the month following the date employed to be covered by the Director's Money Purchase Plan, established by City Ordinance, and administered by an insurance company. The Plan is a defined contribution plan requiring contributions determined by the employees' date of hire. The City contributes 6% to 12% and the employee contributes 0% to 6% of earned income in one calendar year. Employees covered by the Plan may also make voluntary contributions. Participant accounts are immediately 100% vested. Total and covered payroll for the year ended December 31, 2013, was \$1,896,982. City contributions totaled \$206,037 or 10.86% of covered payroll and employee contributions totaled \$16,535 or .87% of covered payroll. There were no voluntary employee contributions made for the year ended December 31, 2013.

ALL OTHER CITY EMPLOYEES

All other City employees are eligible after 6 months' service and age 19 to be covered under the City's Money Purchase Pension Plan, established by City Ordinance, and administered by an insurance company. Enrollment in the program is mandatory at age 40 with 5 years service. Vesting occurs in increments between 3 and 7 years of enrollment in the plan. The Plan is a defined contribution plan requiring employees to contribute at a rate determined by the employees' bargaining unit and date of hire. The City contributes between \$1.29 and \$2.00 for every \$1.00 contributed by employees. Employee forfeitures are used to reduce employer contributions. Employees covered by the Plan may also make voluntary contributions. During the year ended December 31, 2013, total payroll was approximately \$80,304,000 and covered payroll was approximately \$70,116,000. City contributions totaled \$7,881,732 or 11.24% of covered payroll and employee contributions totaled \$4,072,700 or 5.80% of covered payroll. Employees made \$158,130 in voluntary contributions for the year ended December 31, 2013.

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(14) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The City offers employees and their families the opportunity to continue their health care coverage when there is a qualifying event, such as retirement, that would result in a loss of coverage under the City’s plan. Each qualified beneficiary pays the entire cost of premiums for the continuous coverage. The City recognizes as OPEB the implicit rate subsidy provided to retirees when their premium is the “full cost” of the insurer’s charge for the active population. Since the retirees have higher costs, the premium they pay is not expected to cover their costs, and the difference is essentially covered by the City’s payment for active employees. The City plan is a single-employer defined benefit plan. The City does not issue a separate report that includes financial statements and required supplementary information for OPEB.

Funding Policy – The plan is a pay-as-you-go and therefore, is not funded.

Annual OPEB cost and Net OPEB Obligation – The City’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following Net OPEB obligation balance includes amounts reported in governmental activities, business-type activities and the fiduciary trust fund.

The net OPEB obligation as of August 31, 2014, was calculated as follows:
(Dollar amounts in thousands)

Annual required contribution	\$ 2,283
Interest on net OPEB obligation	386
Adjustment to annual required contribution	<u>(527)</u>
Annual OPEB cost	2,142
Contributions made	<u>(619)</u>
Increase in net OPEB obligation	1,523
Net OPEB obligation-beginning	<u>8,589</u>
Net OPEB obligation-ending	<u><u>\$ 10,112</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB costs contributed and the net OPEB obligation are as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
<u>August 31</u>			
2014	\$ 2,142,000	28.9 %	\$ 10,112,000
2013	3,011,000	23.4	8,589,000
2012	3,033,000	23.2	6,283,000

Funded Status and Funding Progress – As of September 1, 2013, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial liability for benefits was \$18,738,000 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$18,738,000. Annual covered payroll was approximately \$123,231,000, and the ratio of the UAAL to the covered payroll was 15.2%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined

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regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 1, 2013 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% discount rate and an annual healthcare cost trend rate of 8.5% initially, reduced by decrements to an ultimate rate of 5.9% for 2022 and beyond. The general inflation rate used for derivation of these calculations is 2.5%. Participation assumptions include 60% of eligible civilian members and 50% of eligible Fire/Police members electing coverage, with 25% participation assumed for both civilian and Fire/Police spouses, respectively. The plan's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over a period of thirty years.

PEHP – Defined Contribution Plan

The City has a defined contribution Post Employment Health Plan (PEHP) administered by Nationwide Retirement Solutions. The purpose of the PEHP plan is to provide reimbursement of qualifying health care and medical insurance premium expenses for employees upon separation from employment.

Terms for eligibility and contribution rates are specified in the City's various collective bargaining agreements. Individual employee accounts consist of employer contributions, investment returns and any forfeiture allocations. Current employer contributions range from \$18-\$50 per pay period based on union contracts. Current year contributions totaled approximately \$1,289,000.

Long-Term Disability Plan

The City also provides employees with long-term disability benefits when they become disabled due to a non-work related accident or illness and are unable to perform their essential job functions. Results of an annual actuarial valuation have not been included here as it did not have a significant impact on the City's financial statements.

(15) PROPERTY TAXES

The Home Rule Charter of the City imposes a tax ceiling for general revenue purposes. The City tax ceiling was 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 has the power to levy taxes each year sufficient to pay any judgment existing against the City, the interest on bonded debt, and the principal on bonded debt maturing during the fiscal year or within 6 months thereafter, as well as taxes authorized by state law. The 2013 tax levy, for the 2013-2014 fiscal year, was \$116,668,431 below the legal limit, with a tax rate per \$100 valuation of \$0.3158. The assessed value upon which the 2013 levy was based was \$17,110,968,759.

The tax levies for all political subdivisions in Lancaster County are certified by the County Board on or before October 15th. Real estate taxes are due on December 31st and attach as an enforceable lien on property on January 1st following the levy date and become delinquent in two equal installments on April

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1st and August 1st. Personal property taxes are due December 31st and become delinquent on April 1st and August 1st following the levy date. Delinquent taxes bear 14% interest.

Within the government-wide financial statements, property taxes are recognized as revenue in the year for which they are levied. Property taxes levied for 2013-2014 are recorded as revenue in the fund financial statements when expected to be collected within 60 days after August 31, 2014. Prior-year levies were recorded using these same principles, and remaining receivables are re-evaluated annually. Property taxes expected to be collected after 60 days are recorded as unavailable revenue on the fund balance sheets.

The City-owned electric utility is required by City Charter to make payments in lieu of taxes, aggregating 5% of its gross retail operating revenues derived from within the city limits of incorporated cities and towns served.

(16) RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees and the public; or acts of God. All risk management activities are accounted for in the Insurance Revolving Fund, an internal service fund, and administered through the Risk Management Division.

For the year ended August 31, 2014, the City had a self-insured retention for workers' compensation exposures up to \$800,000 per individual; law enforcement liability, general liability, public officials liability, public transportation liability, medical professional liability, and auto liability exposures up to \$250,000 per occurrence; building and contents property exposures up to \$50,000 per occurrence; health care benefits with \$150,000 claim specific stop loss; self-insured dental benefits; and self-insured employee long-term disability benefits.

The City also obtained excess liability insurance coverage in the current year. Workers' compensation was covered by a policy that provided statutory limits above the City's retention of \$800,000 per individual. Law enforcement, general, public officials, public transportation, medical professional, and auto liabilities were covered by policies that provided limits of \$6 million per occurrence with a \$12 million annual aggregate. Health had excess stop loss coverage above \$150,000 per claim with unlimited coverage. The Nebraska Political Tort Claims Act limits the City's liability for tort claims to \$1 million per individual and \$5 million per occurrence.

There were no significant insurance recoveries in the current year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The City annually retains the services of independent actuaries to analyze the self-insured workers' compensation, general liability, public transportation liability, law enforcement liability, auto liability, and long-term disability exposures. Such analysis has been used to assist the City with its financial planning and management of the self-insurance program. Included in the specific objectives of the studies were to:

- Estimate the outstanding liabilities for the current fiscal year ended August 31,
- Forecast ultimate incurred losses and incurred but not reported losses for future years, and
- Estimate the required funding level for the City's self-insured liabilities.

The City funds its self-insurance program on an "incurred loss" basis. The governmental and proprietary funds pay annual premium amounts, based on past experience of incurred losses, to the Insurance Revolving Fund. Claim liabilities of \$10,221,089 were recorded at August 31, 2014, which do not include claims relating to Lincoln Electric System's self-funded health and dental insurance program. Excluding medical care claims approximating \$2,128,000, the remaining liability is the actuarially estimated amount of claims based on an estimate of ultimate incurred and incurred but not reported losses as of that date and is calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs, and other economic and social factors. The claims liability estimate also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment

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expenses regardless of their allocation to specific claims. These liabilities have been discounted using a .39% discount rate. The City has purchased no annuity contracts in the current fiscal year to resolve City of Lincoln claims.

The following is a summary of the changes in the estimated claims liability for the years ended August 31, 2014 and 2013:

<u>2014</u>	Worker's Compensation and Others	Long-Term Disability	Health and Dental	Total
Balance at September 1	\$ 7,354,000	941,204	1,484,880	9,780,084
Current year claims and changes in estimates	2,299,000	93,668	26,060,617	28,453,285
Claims payments	(2,507,000)	(87,341)	(25,417,939)	(28,012,280)
Balance at August 31	<u>\$ 7,146,000</u>	<u>947,531</u>	<u>2,127,558</u>	<u>10,221,089</u>

<u>2013</u>	Worker's Compensation and Others	Long-Term Disability	Health and Dental	Total
Balance at September 1	\$ 7,729,000	886,204	1,687,834	10,303,038
Current year claims and changes in estimates	3,298,000	163,558	22,548,762	26,010,320
Claims payments	(3,673,000)	(108,558)	(22,751,716)	(26,533,274)
Balance at August 31	<u>\$ 7,354,000</u>	<u>941,204</u>	<u>1,484,880</u>	<u>9,780,084</u>

LINCOLN ELECTRIC SYSTEM

LES has a self-funded health and dental insurance program with claims processed by a third party administrator on behalf of the utility. As part of the plan, a reinsurance policy has been purchased which covers claims in excess of \$150,000 per individual. Total accrual and payment history is shown below:

	<u>2013</u>	<u>2012</u>
Balance beginning of year	\$ 1,083,000	941,000
Claims accrued	5,729,000	5,385,000
Claims paid/other	(5,153,000)	(5,243,000)
Balance end of year	<u>\$ 1,659,000</u>	<u>1,083,000</u>

As required by state statute, LES maintains an incurred but not reported claims reserve which is actuarially determined, the balance of which was \$459,000 and \$383,000 at December 31, 2013 and 2012, respectively. LES established two separate bank accounts for the self-funded employee health and dental insurance plan reserve to ensure compliance with statutory requirements. Although not required by the statute, LES maintains excess insurance which limits the total claims liability for each plan year to not more than 125% of the expected claims liability, up to an annual aggregate maximum of \$1,000,000.

(17) COMMITMENTS AND CONTINGENCIES

GENERAL

The City participates in a number of federal and state assisted grant programs. Federal and state financial assistance programs are subject to financial and compliance audits. The amount of expenditures, if any, which may be disallowed by the granting agencies is not determinable at this time; however, City officials do not believe that such amounts would be significant.

At August 31, 2014, approximately 96% of the full-time, regular City's employees are represented by a Union. Most existing union contracts expire in August 2014. All future labor contracts involving City employees will be negotiated to cover, at a minimum, a two-year period coinciding with the new biennial budget process.

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

The City has been identified as a potentially responsible party (PRP) or equivalent status in relation to several sites with environmental remediation activities. Management currently believes that the liability of the City in connection with these activities will be immaterial. However, the ultimate cost will depend on the extent of remediation required. Management does not believe that changes in these cost estimates will have a materially adverse effect on the financial statements.

The City of Lincoln owns a solid waste disposal area which discontinued operations in 1990, but still requires certain closure and postclosure care, including the construction of final cover, monitoring of groundwater conditions and landfill gas migration, and general site maintenance. While accrual of closure and postclosure care costs has been reflected in the financial statements in the current year, unanticipated corrective action costs related to landfill gas migration or groundwater contamination, if identified through current monitoring procedures, may be recorded once these costs can be reasonably estimated.

STREET CONSTRUCTION PROJECTS

The City's Street Construction Fund has commitments under major construction contracts in progress of approximately \$10,800,000 as of August 31, 2014, which will be financed primarily through highway user fees, bond proceeds, federal and state grants, and developer contributions.

WEST HAYMARKET JOINT PUBLIC AGENCY

The West Haymarket JPA Fund has commitments under major construction contracts in progress of approximately \$2,500,000 as of August 31, 2014.

LINCOLN WASTEWATER SYSTEM

The Lincoln Wastewater System has commitments under major construction contracts in progress of approximately \$9,900,000 as of August 31, 2014.

LINCOLN WATER SYSTEM

The Lincoln Water System has commitments under major construction contracts in progress of approximately \$3,400,000 as of August 31, 2014.

LINCOLN ELECTRIC SYSTEM

LES has participating interests in the output of two existing NPPD power plants, a thirty percent (68 MW) and eight percent (109 MW) entitlement to the output of the Sheldon Station Power Plant (nominally rated 225 MW coal plant) and Gerald Gentleman Station Power Plant (nominally rated 1,268 MW coal plant), respectively.

LES is responsible for its respective participating interests in the two facilities' capital additions and improvements. LES recognizes its share of capital acquisition costs and debt service payments as power costs in the period the costs are billed with the exception of costs approved for deferral under GASB Statement No. 62. Fixed cost payments under the agreements are on a participation basis whether or not such plants are operating or operable.

The participation contracts continue until the facilities are removed from commercial operation or the final maturity occurs on the related debt incurred by NPPD to finance the facilities, whichever occurs last. The estimated fixed cost payments to NPPD under these contracts, including capital additions and improvements, debt service payments and fixed costs, and credits aggregate approximately \$18,400,000, \$18,800,000, \$19,300,000, \$19,700,000, and \$20,100,000, respectively, in each of the five years subsequent to December 31, 2013.

CITY OF LINCOLN, NEBRASKA
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(18) **LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

The City of Lincoln currently owns and operates both a municipal solid waste landfill and a construction and demolition debris landfill. State and federal laws require the City to close the landfills once capacity is reached and to monitor and maintain the site for thirty subsequent years on the municipal solid waste landfill and five subsequent years on the construction and demolition debris landfill. Although certain closure and postclosure care costs will be paid only near or after the date that the landfills stop accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each statement of net position date.

At August 31, 2014, the City had incurred a liability of approximately \$11,900,000 for the municipal solid waste landfill which represents the amount of costs reported to date based on the approximately 54% of landfill capacity used to date. The remaining estimated liability for these costs is approximately \$10 million, which will be recognized as the remaining capacity is used (estimated to be approximately 23 years).

As of August 31, 2014, the City had incurred a liability of approximately \$593,000 for the construction and demolition debris landfill which represents the amount of costs reported to date based on the approximately 58% of landfill capacity used to date. The remaining estimated liability for these costs is approximately \$432,000, which will be recognized as the remaining capacity is used (estimated to be approximately 15 years).

The estimated costs of closure and postclosure care, as determined by an independent engineering consultant, are subject to changes including the effects of inflation, revision of laws, changes in technology, actual sequence of landfill development and closure, and other variables.

The City of Lincoln, in a review by the Nebraska Department of Environmental Quality (NDEQ), has demonstrated compliance with the financial assurance requirements as specified in Title 132 - *Integrated Solid Waste Management Regulations*, through the Local Government Financial Test.

The City of Lincoln also owns a solid waste disposal area that discontinued operations in 1990. Although exempt from the U.S. Environmental Protection Agency *Solid Waste Disposal Facility Criteria* issued October 9, 1991, the City must still adhere to certain closure and postclosure care requirements under prior legislation, including the construction of final cover, monitoring of ground water conditions and landfill gas migration, and general site maintenance. At August 31, 2014, a liability for closure and postclosure care costs is recorded in the amount of approximately \$4,213,000, which is based on appropriations identified in the City's capital improvement projects budgeting process. If any unanticipated corrective action costs related to landfill gas migration or groundwater contamination are identified through current monitoring procedures, then an additional accrued liability will be recorded once these costs can be reasonably estimated.

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
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(19) **SEGMENT INFORMATION**

The City has issued revenue bonds and other debt instruments to finance capital construction and acquisitions for both the Urban Development and Public Works/Utilities Departments. The Parking Facilities Division of the Urban Development Department operates the City's downtown parking garages and is accounted for in the Parking System Fund. The Solid Waste Operations Section of the Public Works/Utilities Department operates the City's solid waste disposal sites, yard waste composting facility, and re-cycling drop-off program. Summary financial information for these divisions as of and for the year ended August 31, 2014, is presented as follows:

	<u>Parking Facilities</u>	<u>Solid Waste Management</u>
CONDENSED STATEMENT OF NET POSITION		
Assets:		
Current Assets, excluding Due from Other Funds	\$ 1,758,231	3,890,994
Due from Other Funds	87,627	22,525
Other Assets	8,428,672	2,645,588
Capital Assets	61,835,646	26,400,158
Total Assets	<u>72,110,176</u>	<u>32,959,265</u>
Deferred Outflows of Resources	-	37,026
Liabilities:		
Current Liabilities, excluding Due to Other Funds	3,247,394	2,162,605
Due to Other Funds	9,469	1,075
Noncurrent Liabilities	28,234,718	24,071,050
Total Liabilities	<u>31,491,581</u>	<u>26,234,730</u>
Net Position:		
Net Investment in Capital Assets	34,605,741	18,312,742
Restricted	4,689,366	-
Unrestricted	1,323,488	(11,551,181)
Total Net Position	<u>\$ 40,618,595</u>	<u>6,761,561</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION		
Operating Revenues	\$ 9,697,333	6,413,084
Depreciation Expense	(1,902,242)	(1,738,921)
Other Operating Expenses	(4,211,473)	(6,965,063)
Operating Income (Loss)	<u>3,583,618</u>	<u>(2,290,900)</u>
Nonoperating Revenues (Expenses):		
Investment Earnings	119,217	120,879
Loss on Disposal of Capital Assets	-	(87,202)
Insurance Recovery	-	2,723
Occupation Tax	-	2,598,793
Interest Expense and Fiscal Charges	(1,134,020)	(47,651)
Capital Contributions	-	119,800
Transfers	(1,445,029)	(1,156,152)
Change in Net Position	<u>1,123,786</u>	<u>(739,710)</u>
Beginning Net Position	39,494,809	7,501,271
Ending Net Position	<u>\$ 40,618,595</u>	<u>6,761,561</u>
CONDENSED STATEMENT OF CASH FLOWS		
Net Cash Provided (Used) by:		
Operating Activities	\$ 5,610,750	68,428
Noncapital Financing Activities	(1,375,830)	1,409,370
Capital and Related Financing Activities	(8,204,218)	(6,805,784)
Investing Activities	<u>3,138,441</u>	<u>4,604,265</u>
Net Decrease in Cash	(830,857)	(723,721)
Beginning Balance	4,317,053	1,187,868
Ending Balance	<u>\$ 3,486,196</u>	<u>464,147</u>

CITY OF LINCOLN, NEBRASKA
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(20) PLEGGED REVENUES

The City has pledged future revenues derived from the operation of the Lincoln Wastewater System, net of operating and maintenance expenses, to repay all outstanding wastewater revenue bonds and loans. Proceeds provided financing for improvements to the sanitary sewer system, as well as refunding prior year debt. The debt is payable solely from the net earnings of the Wastewater System and is payable through 2034. The total principal and interest remaining to be paid on the debt is \$116,492,353, with annual payments expected to require 52% of net revenues. Principal and interest paid for the current year and net system revenues were \$7,131,915 and \$13,711,176, respectively.

The City has pledged future revenues derived from the operation of the Lincoln Water System, net of operating and maintenance expenses, to repay all outstanding water revenue bonds and loans. Proceeds from the debt provided financing for improvements to the water supply system, as well as refunding prior water revenue bonds. The bonds are payable solely from the net earnings of the Water System and are payable through 2034. The total principal and interest remaining to be paid on the debt is \$82,693,682, with annual payments expected to require 32% of net revenues. Principal and interest paid for the current year and net system revenues were \$5,967,417 and \$18,625,588, respectively.

The City has pledged future revenues derived from the operation of the Lincoln Electric System, net of operating and maintenance expenses, to repay all outstanding electric revenue bonds. Proceeds from the bonds provided financing for construction of additional utility plant, as well as refunding certain issues of electric revenue bonds. The bonds are payable solely from the net earnings of the Electric System and are payable through 2037. The total principal and interest remaining to be paid on the bonds is \$906,496,000, with annual payments expected to require 50% of net revenues. Principal and interest paid for the current year and net system revenues were \$46,964,000 and \$93,963,000, respectively.

The City has pledged future revenues derived from the operation of the Lincoln Parking System, net of operating and maintenance expenses, and amounts, if any, distributed by the State for street purposes to repay all outstanding parking revenue bonds. Proceeds from the bonds provided financing for construction and improvements to the parking system, as well as refunding prior revenue bonds. The bonds are payable solely from the net earnings of the Parking System and are payable through 2032. The total principal and interest remaining to be paid on the bonds is \$42,037,319, with annual payments expected to require 50% of net revenues. Principal and interest paid for the current year and net system revenues were \$2,482,465 and \$5,605,077, respectively.

The City has pledged future revenues derived from the operation of the municipally owned solid waste management facilities, net of operating and maintenance expenses, to repay outstanding solid waste management revenue bonds. Proceeds from the bonds provided financing for improvements to the solid waste facilities and to refund prior revenue bonds. The bonds are payable solely from the net earnings of the Solid Waste System and are payable through 2029. The total principal and interest remaining to be paid on the bonds is \$9,045,543, with annual payments expected to require 42% of net revenues. Principal and interest paid for the current year and net system revenues were \$748,128 and \$1,813,541 respectively.

(21) PUBLIC BUILDING COMMISSION

In 1990, the City and the County of Lancaster, pursuant to state statute, activated a separate governmental entity denominated as the Lincoln-Lancaster County Public Building Commission. The purpose of this joint venture is to design, acquire, construct, maintain, operate, improve, remodel, remove and reconstruct, so long as its corporate existence continues, public buildings, structures, or facilities for use jointly by the City and the County. The City and the County each appoint two members to the five-member Commission, with the fifth member being appointed by the other four members. All property held or acquired by the Commission is held or acquired in the name of the City and the County for use by the Commission in its corporate capacity. The Commission's costs of operation and debt service are funded through rental payments made by the City and the County based upon their proportionate occupancy of such buildings to the extent not covered by a maximum property tax levy of 1.7 cents for each \$100 of

CITY OF LINCOLN, NEBRASKA
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actual valuation of taxable property in the County. For the year ended August 31, 2014, the City made rental payments of approximately \$2.9 million to the Commission.

As of August 31, 2014, the Commission has debt outstanding of \$34,365,250. Bond and note proceeds have been utilized by the Commission to acquire, construct, and/or renovate certain buildings occupied by the City and County. The City's proportionate share of these buildings has been recorded in capital assets in accordance with the terms of the joint venture agreement regarding the ultimate transfer of assets to the City and County.

For certain bonds it is anticipated that property tax levies by the Commission will be sufficient to meet bond principal and interest payments. Should revenues from such property tax levies not be sufficient to meet debt service requirements in any given year, the City and County would contribute the necessary payments based on their proportionate building occupancy. Such contributions are expected to be minimal and will be expensed in the appropriate funds when incurred.

For all other debt, funded through rental payments, the City's proportionate share is recorded as capital assets and the corresponding debt is reflected as capital lease long-term obligations in the City's Statement of Net Position. Lease payments are not recorded as capital lease payments in the Debt Service Funds' financial statements but rather are recorded as current expenditures in the various individual funds at the time the payment is made.

Complete separate financial statements for the Commission may be obtained at the Lincoln-Lancaster County Public Building Commission, 920 "O" Street, Room 203, Lincoln, Nebraska 68508.

(22) JOINT ANTELOPE VALLEY AUTHORITY

Joint Antelope Valley Authority is a joint administrative entity created April 15, 2000, in accordance with Article XV, Section 18 of the Constitution of the State of Nebraska and Nebraska Revenue Statutes Sections 13.801 through 13.827 (1997) authorizing the creation of a joint entity by public agencies. Per an interlocal cooperative agreement by and between the Board of Regents of the University of Nebraska, a public body corporate, the City of Lincoln, Nebraska, a municipal corporation, and the Lower Platte South Natural Resources District, a political subdivision of the State of Nebraska, this joint administrative entity was created to be known as Joint Antelope Valley Authority (JAVA). JAVA constitutes a separate administrative entity, exercising the public power granted by the interlocal cooperation agreement on behalf of the three aforementioned "Partners" to coordinate planning and implementation of a public project described in the Antelope Valley Study and the U.S. Army Corps of Engineers Antelope Creek Feasibility Study (the Project). The Project generally includes community revitalization, transportation, and drainage/flood control improvements.

After completion of the Project, JAVA will transfer all real estate and improvements thereon to the appropriate individual Partner, subject to the necessary and agreed upon easements which will be conveyed to such Partner or other appropriate public or private entity, or reserved by such a Partner, for the operation, maintenance, repair, and inspection of each specific component.

During the implementation period of the agreement, JAVA shall have the power and authority to acquire and condemn property rights, borrow, mortgage, pledge, or secure loans and bond its appropriated revenues and assets; provided, however, that JAVA shall have no power and authority to bond the credit or revenues of the three Partners or each Partner, or levy taxes.

For the year ended August 31, 2014, total assets of JAVA are approximately \$200 million. The City's equity interest in the Project is approximately \$166 million.

Complete separate financial statements for JAVA may be obtained at the City of Lincoln Public Works Business Office, 555 South 10th Street, Lincoln, Nebraska 68508.

CITY OF LINCOLN, NEBRASKA
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August 31, 2014

(23) JOINTLY OWNED FACILITIES

Laramie River Station (LRS)

LES is a 12.76% co-owner of the Missouri Basin Power Project, that includes LRS, a three-unit, 1,650 MW coal-fired generating station in eastern Wyoming and a related transmission system. LES has sold approximately 13% of its ownership in LRS to Municipal Energy Agency of Nebraska (MEAN). Costs, net of accumulated depreciation, and excluding costs allocated to MEAN for its ownership share, associated with LRS of approximately \$17.4 million are reflected in utility plant at December 31, 2013.

LRS has certain postretirement obligations which have not yet been billed to the owners as these costs are not due and payable. Thus, LES has not reflected these costs in its financial statements. As a co-owner of LRS, LES' allocation of these postretirement obligations is \$1.2 million at December 31, 2013.

LES has a participation power sales agreement with the County of Los Alamos, New Mexico (the County) whereby the County purchases from LES 10 MW of LES's capacity interest in LRS. The agreement provides for the County to pay LES monthly fixed payments for the repayment of debt service. The amount is subject to change each July 1 based on debt costs of LES relative to the current market rates, until termination of the agreement. The agreement remains in effect until either the final maturity occurs on any LRS related debt or LRS is removed from commercial operation. During 2013, LES billed the County approximately \$3.3 million for demand and energy charges.

The LRS project participants, including LES, filed a rate case in 2004 with the federal Surface Transportation Board (STB) challenging the reasonableness of the freight rates from the Burlington Northern Santa Fe (BNSF) railroad for coal deliveries to LRS. In early 2009 the STB issued its decision and awarded the LRS project participants a favorable decision estimated by the STB at approximately \$345 million in rate relief. The STB awarded \$119 million to the LRS participants for past freight overcharges plus an expectation of present value rate benefits of approximately \$245 million due to a new tariff the STB ordered to be charged through 2024. BNSF remitted \$15 million to LES, which has been escrowed pending an appeal filed by BNSF. As such, LES' payment has been recorded as a designated asset and liability pending the outcome of the appeal. A portion of these funds are due to MEAN and the County of Los Alamos.

Walter Scott Energy Center (WS4)

MidAmerican Energy's Walter Scott Energy Center includes the following units: Unit #1 – a 1954 coal-fired unit built with 43 MW capacity, Unit #2 – a 1958 coal-fired unit built with 88 MW capacity, Unit #3 – a 1979 coal-fired unit built with 675 MW capacity, and Unit #4 - a supercritical technology, coal-fired 790 MW unit that became commercial in June, 2007, as well as the associated common equipment and inventories. LES maintains ownership interest in 12.6% or 105 MW of Unit #4. In order to minimize unit outage risk, LES has executed a power purchase and sales agreement with MidAmerican Energy to exchange capacity and energy from LES' Unit #4 ownership with capacity and energy from Unit #3. Under this agreement, beginning in 2009, LES will schedule 50 MW of capacity and energy from Unit #3 and 55 MW of capacity and energy from Unit #4. This twenty year unit agreement can be extended through mutual agreement of the parties. LES is responsible for the operation and maintenance expense and maintains a fuel inventory at the plant site. LES issued debt in conjunction with the construction of Unit #4 and has capitalized these costs plus interest. Costs, net of accumulated depreciation, associated with WS4 of approximately \$146 million are reflected in utility plant at December 31, 2013.

(24) JOINTLY GOVERNED ORGANIZATIONS

District Energy Corporation

The District Energy Corporation (DEC) was formed in 1989 by the City of Lincoln and Lancaster County to own, operate, maintain, and finance the heating and cooling facilities utilized by certain city, county, and state buildings. The Board of Directors of DEC is comprised of five members: two appointed by the

CITY OF LINCOLN, NEBRASKA
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Lancaster County Board of Commissioners, two by the Mayor of Lincoln who must be confirmed by the City Council, and one by LES. No participant has any obligation, entitlement, or residual interest.

The DEC Board of Directors, under a management agreement, has appointed LES to supervise and manage the system and business affairs of DEC. LES is reimbursed for these management services based on the allocated actual costs of these services. LES also provides electric energy to DEC on an established rate schedule. The total amount of payments to LES for management, operations, and maintenance services was approximately \$1,086,000 in 2013. The total amount of payments to LES for energy was approximately \$448,000 in 2013.

Nebraska Utility Corporation

On May 17, 2001, LES, in conjunction with the University of Nebraska Lincoln (UNL), created the Nebraska Utility Corporation (NUCorp) to purchase, lease, construct, and finance facilities and acquire services to meet energy requirements of UNL. The Board of Directors of NUCorp is comprised of five members: three members appointed by UNL and two members appointed by LES. No participant has any obligation, entitlement, or residual interest.

Operations commenced in January 2002. The NUCorp board of directors, under a twenty-year management agreement, appointed LES to supervise and manage the system and business affairs of NUCorp. LES is reimbursed for these management services based on the allocated actual costs of these services. LES also provides electric energy to NUCorp on an established rate schedule. The total payment to LES for management services was approximately \$81,000 in 2013. The total amount of payments to LES for energy was approximately \$9.5 million in 2013.

(25) SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

CITY OF LINCOLN, NEBRASKA
Required Supplementary Information
August 31, 2014

**Schedule of Changes in the PFDP Net Pension Liability
and Related Ratios**
For the Year Ended August 31, 2014

	2014
Total Pension Liability	
Service cost	\$ 7,289,994
Interest	18,675,284
Changes in benefit terms	-
Effect of economic/demographic gains or losses	(1,041,046)
Effect of assumption changes or inputs	22,725,982
Benefit payments, including refunds of member contributions	(13,430,163)
Net change in total pension liability	34,220,051
Total pension liability - beginning	241,713,789
Total pension liability - ending (a)	\$ 275,933,840
 Plan Fiduciary Net Position	
Contributions - employer	\$ 7,865,929
Contributions - members	2,613,971
Net investment income	30,932,275
Benefit payments, including refunds of member contributions	(13,430,163)
Administrative expense	(407,146)
Net change in plan fiduciary net position	27,574,866
Plan fiduciary net position - beginning	185,767,949
Plan fiduciary net position - ending (b)	\$ 213,342,815
 PFDP Net Pension Liability - ending (a) - (b)	 \$ 62,591,025
 Plan fiduciary net position as a percentage of the total pension liability	77.32%
 Covered-employee payroll	\$ 37,887,505
 PFDP net pension liability as a percentage of covered- employee payroll	165.20%

Note to schedule:

Results for the other years within the last ten years are not available and will be developed prospectively from 2014.

CITY OF LINCOLN, NEBRASKA
 Required Supplementary Information
 August 31, 2014

Schedule of Employer Contributions for PFDP Pension
 For the Year Ended August 31, 2014

	2014
Actuarial determined employer contribution	\$ 7,377,763
Actual employer contributions	7,865,929
Annual contribution deficiency (excess)	\$ (488,166)
Covered-employee payroll	\$ 37,887,505
Actual contributions as a percentage of covered-employee payroll	20.76%

Note to Schedule:

Results for the other years within the last ten years are not available and will be developed prospectively from 2014.

Valuation date: 8/31/2012

Actuarially determined contribution rates are calculated as of August 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age Normal
Amortization method:	30 years, level percent, open
Remaining amortization period:	30 years
Asset valuation method:	4-year smoothed market
Inflation:	4.25%
Salary increases:	4.25% - 8.25%
Investment rate of return:	7.5%

CITY OF LINCOLN, NEBRASKA
Required Supplementary Information
August 31, 2014

Schedule of Investment Returns for PFDP Pension

Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Annual money-weighted rate of return, net of investment expense	16.67%	12.42%	5.47%	12.64%	9.60%	-16.77%	-6.40%	14.05%	11.14%	13.09%

Schedule of Funding Progress for PFDP Pension

(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
August 31, 2014	\$ 174,569	\$ 262,918	\$ 88,349	66.4 %	\$ 37,888	233.2 %
August 31, 2013	164,190	229,193	65,003	71.6	38,108	170.6
August 31, 2012	164,500	214,879	50,379	76.6	36,311	138.7
August 31, 2011	165,436	204,990	39,554	80.7	35,763	110.6
August 31, 2010	172,317	195,206	22,889	88.3	34,233	66.9
August 31, 2009	177,526	187,292	9,766	94.8	33,450	29.2

Schedule of Employer Contributions for PFDP Pension

(dollar amounts in thousands)

Year Ended August 31	Annual Required Contribution	Annual Pension Contribution	Percentage Contributed

APPENDIX C

BOOK-ENTRY SYSTEM

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BOOK-ENTRY SYSTEM

The Depository Trust Company, New York, NY, will act as securities depository for the Series 2015 Bonds. The Series 2015 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 2015 Bond will be issued for each maturity of the Series 2015 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 Bonds 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 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2015 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 2015 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 2015 Bonds, except in the event that use of the book-entry system for the Series 2015 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015 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 2015 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 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015 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 2015 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2015 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Series 2015 Bonds may wish to ascertain that the nominee holding the Series 2015 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 2015 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 2015 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 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2015 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 2015 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 2015 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 D

FORM OF BOND COUNSEL OPINION

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[CLOSING DATE]

City of Lincoln, Nebraska
Lincoln, Nebraska

Ameritas Investment Corp.
Lincoln, Nebraska

Re: \$5,720,000 City of Lincoln, Nebraska General Obligation Storm Sewer and Drainage
System Refunding Bonds, Series 2015

Ladies and Gentlemen:

We have acted as bond counsel to the City of Lincoln (the “Issuer”) in the State of Nebraska, (“State”) 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.

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

1. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and legally binding general obligations of the Issuer.
2. The Bonds are payable as to both principal and interest from ad valorem taxes, which may be levied without limitation as to rate or amount upon all the taxable property within the territorial limits of the Issuer to the extent not paid from other sources.
3. The interest on the Bonds (a) is excludable from gross income for federal income tax purposes, (b) is exempt from income taxation by the State, and (c) is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in this paragraph are subject to the condition that the Issuer comply 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 and State

income tax purposes retroactive to the date of issuance of the Bonds. The Bonds have not been designated as “qualified tax-exempt obligations” within the meaning 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 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 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,