

**NEW ISSUE  
BOOK-ENTRY ONLY**

**RATING: MOODY'S "Aaa"  
NOT BANK QUALIFIED**

*In the opinion of Special Tax Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended, the Interest Portion of Basic Rent Payments paid by the City and distributed to the registered owners of the Series 2015 Certificates is excludable from gross income for federal and Nebraska income tax purposes, except as described in this Official Statement, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The Series 2015 Certificates have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS."*

**OFFICIAL STATEMENT  
\$3,400,000  
CERTIFICATES OF PARTICIPATION  
Series 2015**

**Evidencing Proportionate Interests of the Owners  
Thereof in Basic Rent Payments to be Made by  
THE CITY OF LINCOLN, NEBRASKA**

**as Lessee pursuant to a Lease Purchase Agreement with Union Bank and Trust Company, as Lessor**

**Dated: date of delivery**

**Due: October 15, as shown below**

The Series 2015 Certificates will be executed and delivered in fully registered form in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series 2015 Certificates. Purchases of the Series 2015 Certificates will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof as described above. Purchasers will not receive certificates representing their interests in Series 2015 Certificate purchases. So long as Cede & Co. is the registered owner of the Series 2015 Certificates, as nominee of DTC, references herein to the Registered Owners shall mean Cede & Co. and shall not mean the Beneficial Owners (herein defined) of the Series 2015 Certificates. Interest Portions of Basic Rent represented by the Series 2015 Certificates are payable semiannually on April 15 and October 15 of each year, to and including the date of maturity or prepayment, whichever is earlier, commencing on October 15, 2015.

The Series 2015 Certificates evidence the ownership of proportionate interests in, and rights to receive payments under, a Lease Purchase Agreement dated April 23, 2015 (the "Lease"), between Union Bank and Trust Company, a state banking corporation (the "Trustee"), as lessor, and The City of Lincoln, Nebraska (the "City"), as lessee. The Series 2015 Certificates are executed and delivered pursuant to a Declaration of Trust dated April 23, 2015, made by the Trustee. Neither the Series 2015 Certificates nor the Basic Rent Payments are obligations of the Trustee, and the Trustee does not have any obligations under or with respect to the Series 2015 Certificates or the Basic Rent Payments.

The Series 2015 Certificates are subject to optional prepayment prior to maturity. See "THE SERIES 2015 CERTIFICATES OF PARTICIPATION – Optional Prepayment."

The Series 2015 Certificates constitute interests in Basic Rent Payments to be made by the City. The Basic Rent Payments are payable from the City's General Fund, which includes the City's sales tax revenue and ad valorem taxes levied by the City against all taxable property in the City. See "NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION."

<u>Maturity (October 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP Number (534266)</u>
2016	\$305,000	2.0%	0.450%	102.280%	FW8
2017	310,000	2.0	0.750	103.062	FW6
2018	320,000	2.0	1.000	103.409	FX4
2019	325,000	2.0	1.200	103.477	FY2
2020	330,000	2.0	1.350	103.420	FZ9
2021	340,000	2.0	1.550*	102.354	GA3
2022	350,000	2.0	1.700*	101.562	GB1
2023	360,000	2.0	1.850*	100.777	GC9
2024	375,000	2.0	2.000	100.000	GD7
2025	385,000	2.0	2.100	99.063	GE5

\* Yield to first optional call date of October 15, 2020.

*The Series 2015 Certificates are offered when, as and if executed and delivered by the Trustee, subject to the approval of their validity by Gilmore & Bell, P.C., Special Tax Counsel, as described herein. Certain legal matters will be passed upon for the City by Jeffery R. Kirkpatrick, City Attorney. It is expected that the Series 2015 Certificates in definitive form will be available for delivery at The Depository Trust Company in New York, New York, on or about April 23, 2015.*

**BAIRD**

**AMERITAS INVESTMENT CORP.**

has acted as Financial Advisor with respect to the Series 2015 Certificates

The date of this Official Statement is April 7, 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**

Robert W. Baird & Co.  
Milwaukee, Wisconsin

**SPECIAL TAX COUNSEL**

Gilmore & Bell, P.C.  
Lincoln, Nebraska

**LESSOR AND TRUSTEE**

Union Bank and Trust Company  
Lincoln, Nebraska

**FINANCIAL ADVISOR WITH RESPECT TO SERIES 2015 CERTIFICATES**

Ameritas Investment Corp.  
Lincoln, Nebraska

## REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, sales representative or other person has been authorized by the City or the Underwriter to give any information or to make any representations with respect to the Series 2015 Certificates other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2015 Certificates by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the City and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2015 CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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THE SERIES 2015 CERTIFICATES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES OR "BLUE SKY" LAWS. THE SERIES 2015 CERTIFICATES ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION. THE SECURITIES DESCRIBED HEREIN HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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## FORWARD-LOOKING STATEMENTS

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

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## OFFICIAL STATEMENT

**\$3,400,000**  
**CERTIFICATES OF PARTICIPATION**  
**SERIES 2015**  
**Evidencing Proportionate Interests of the Owners**  
**Thereof in Basic Rent Payments to be Made by**  
**THE CITY OF LINCOLN, NEBRASKA**  
**as Lessee pursuant to a Lease Purchase Agreement with**  
**Union Bank and Trust Company, as Lessor**

### INTRODUCTION

*This introduction is only a brief description and summary of certain information contained in this Official Statement and is qualified in its entirety by reference to more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement.*

#### **Purpose of the Official Statement**

This Official Statement, including the cover page and the appendices hereto (the **“Official Statement”**), is provided to furnish information with respect to the sale and delivery of certificates of participation in the aggregate principal amount of \$3,400,000 (the **“Series 2015 Certificates”**), representing the proportionate interests of the owners thereof (the **“Certificate Owners”**) in basic rent payments (the **“Basic Rent Payments”**) to be made by The City of Lincoln, Nebraska (the **“City”**), as the rental payments and purchase price of the interest of Union Bank and Trust Company, a state banking corporation, as lessor (the **“Trustee”**), in the hereinafter defined Equipment, pursuant to a Lease Purchase Agreement, dated April 23, 2015 (the **“Lease”**), entered into between the Trustee and the City, as lessee. See **“THE EQUIPMENT.”**

#### **The City**

The City is a city of the primary class and political subdivision organized and existing under the laws of the State of Nebraska. The City is located in the geographic center of Lancaster County, Nebraska, and is the state capital, as well as the county seat. See **“APPENDIX A: THE CITY OF LINCOLN, NEBRASKA”** and **“APPENDIX B: FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED AUGUST 31, 2014, TOGETHER WITH AUDITOR’S REPORT THEREON.”**

#### **Plan of Financing**

The proceeds received from the sale of the Series 2015 Certificates will be used to (a) purchase and install light poles and related equipment, such as light fixtures, wiring, and other items necessary to complete the installation of new street lights in the City (collectively, the **“Equipment”**) and (b) pay certain costs related to the execution and delivery of the Series 2015 Certificates.

Pursuant to the terms and conditions of the Lease and the Declaration of Trust, the Trustee and the City have agreed that the Trustee will pay, from proceeds of the sale of the Series 2015 Certificates, the cost of the Equipment.

The Series 2015 Certificates are payable solely from the Basic Rent Payments to be paid by the City under the Lease and, to the extent received by the Trustee, net proceeds of certain insurance policies, condemnation awards or proceeds from the liquidation of interests in the Equipment.

### **The Financing Documents**

The Trustee will lease the Equipment, with the option to purchase upon final payment of all amounts due thereunder, to the City pursuant to the Lease. The Lease will provide, among other things, for a term that commences on the date of delivery of the Certificates, and ends on October 15, 2025, the date of the final maturity of the Certificates. The City is authorized to enter into the Lease pursuant to Ordinance No. 20164 passed by the Council on March 2, 2015 and approved by the Mayor on March 5, 2015 (the “**Ordinance**”).

The Series 2015 Certificates are being executed and delivered pursuant to a Declaration of Trust dated the date of delivery (the “**Declaration of Trust**”), made by the Trustee. Neither the Certificates nor the Basic Rent Payments are obligations of the Trustee, and the Trustee has no liability or obligation under or with respect to the Certificates or the Basic Rent Payments.

Under the Declaration of Trust, the Trustee will hold all of its estate, right, title and interest in the Lease for the benefit of the Certificate Owners.

### **Financial Statements**

The audited financial statements of the City for Fiscal Year ended August 31, 2014, are included in **APPENDIX B** hereto. The financial statements in **APPENDIX B** have been audited by BKD, LLP, Lincoln, Nebraska, independent auditors, whose report thereon is also included in **APPENDIX B** hereto. 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.

### **Continuing Disclosure**

The City agrees in a Continuing Disclosure Undertaking dated the date of delivery (the “**Disclosure Certificate**”) to provide certain annual financial information and operating data relating to the City by not later than May 1 of each year (the “**Annual Report**”), commencing May 1, 2016, and to provide notices of the occurrence of certain enumerated events. See “**CONTINUING DISCLOSURE.**”

### **Definitions and Descriptions; Inspection of Documents**

Certain capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings given to such terms in **APPENDIX C: DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS**. Summaries of the Lease and the Declaration of Trust are also included in **APPENDIX C**. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Lease, the Declaration of Trust and the Continuing Disclosure Certificate are qualified in their entirety by reference to such documents, copies of which may be viewed at the principal corporate office of the Financial Advisor with respect to the Series 2015 Certificates, 5900 O Street, Lincoln, Nebraska 68510 or will be provided by the Financial Advisor with respect to the Series 2015 Certificates to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request. All references to the Series 2015 Certificates are qualified in their entirety by the definitive terms thereof and the information with respect thereto included in the Lease, the Declaration of Trust and the Continuing Disclosure Certificate. Information concerning the City has been

supplied by the City, and has not been verified by the Trustee, and the Trustee makes no representation or warranty, express or implied, as to the accuracy or completeness of such information.

## **THE SERIES 2015 CERTIFICATES OF PARTICIPATION**

### **General Provisions**

The Series 2015 Certificates are dated the date of delivery thereof, and will mature on October 15, in the amounts and in the years stated on the cover page hereof unless prepaid prior thereto.

### **Payment of Basic Rent and Prepayment Price**

The Series 2015 Certificates will be delivered in the denomination of \$5,000 each or any integral multiple thereof in book-entry form. Purchases of the Series 2015 Certificates will be made in book-entry only form in the denomination of \$5,000 or any integral multiple thereof. Purchasers of the Series 2015 Certificates will not receive certificates representing their interests in the Series 2015 Certificates purchased. Each Series 2015 Certificate represents a proportionate interest in the Principal Portions and Interest Portions of the Basic Rent Payments to be paid by the City to the Trustee for the benefit of the Series 2015 Certificate Owners. Principal Portions of Basic Rent will be payable on October 15 of each year beginning October 15, 2016. Interest Portions of Basic Rent shall be payable semiannually on April 15 and October 15 of each year, beginning on October 15, 2015, to and including the date of maturity or prepayment, whichever is earlier. Under the Declaration of Trust, the Trustee is designated as the initial paying agent for the Series 2015 Certificates.

While the Series 2015 Certificates remain in book-entry form, payments to Beneficial Owners (defined herein) are governed by the rules of DTC as described in **“BOOK-ENTRY ONLY SYSTEM.”** In the event that DTC ceases to act as securities depository for the 2015 Certificates, payment may be made as described below. Under the Declaration of Trust, the Trustee is designated as the initial paying agent for the Series 2015 Certificates.

Interest Portions of Basic Rent represented by the Series 2015 Certificates shall be payable by check or draft of the Trustee mailed to the Series 2015 Certificate Owners at the address of each Series 2015 Certificate Owner shown on the registration books maintained by the Trustee as of the close of business on the last day of the month next preceding the month in which each Interest Payment Date occurs (the **“Record Date”**), or at the written request of any Owner of Series 2015 Certificates in the aggregate Principal Portion of at least \$500,000, by electronic transfer to the bank for credit to the ABA routing number and account number filed with the Trustee no later than 15 days prior to the record date.

The Principal Portion of the Basic Rent or Prepayment Price represented by the Series 2015 Certificates will be payable (whether at maturity or upon prepayment or acceleration) by check or draft to the Owners of such Series 2015 Certificates upon presentation and surrender of such Series 2015 Certificates at the designated corporate trust office of the Trustee.

### **Transfer and Exchange**

While the Series 2015 Certificates remain in book-entry form, transfers of ownership by Beneficial Owners may be made as described under **“BOOK-ENTRY ONLY SYSTEM.”** In the event that DTC ceases to act as securities depository for the Series 2015 Certificates, transfers may be effected as described below.

Books for the registration and transfer of the Series 2015 Certificates are to be kept by the Trustee, as Registrar. Upon surrender for transfer of any Series 2015 Certificate at the principal payment office of the Trustee and satisfaction of the conditions and restrictions of such transfer, the Trustee is to execute and deliver in the name of the transferee a new Series 2015 Certificate of the same maturity or maturities, interest rate and tenor as the Series 2015 Certificates surrendered. Series 2015 Certificates may be exchanged at the principal payment office of the Trustee for an equal aggregate principal amount of Series 2015 Certificates of the same maturity or maturities, interest rate and tenor as the Series 2015 Certificate surrendered. All Series 2015 Certificates presented for transfer or exchange must be accompanied by a written instrument of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Trustee, duly executed by the Owner or by his attorney duly authorized in writing.

The Trustee is not required to transfer or exchange any Series 2015 Certificate after such Series 2015 Certificate has been called for prepayment.

The person in whose name any Series 2015 Certificate is registered is deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of either the Principal Portion or the Interest Portion of the Basic Rent Payments represented by any Series 2015 Certificate will be made only to or upon the written order of the registered owner thereof or his legal representative.

The Series 2015 Certificates are payable in lawful money of the United States of America which at the time of payment is legal tender for the payment of public and private debt. Series 2015 Certificates may be transferred at the principal payment office of the Trustee. Series 2015 Certificates may be exchanged for Series 2015 Certificates of the same maturity of other authorized denominations in accordance with the terms of the Declaration of Trust. For every such exchange or transfer of Series 2015 Certificates, the Trustee shall make a charge to the Series 2015 Certificate Owner sufficient to reimburse it for any tax, fee or other governmental charges required to be paid with respect to such exchange or transfer.

### **Optional Prepayment**

***Optional Prepayment.*** The Series 2015 Certificates maturing on October 15, 2021, and thereafter are subject to optional prepayment at the option of the City, as a whole or in part, at any time on or after October 15, 2020, at the prepayment price of 100% of the Principal Portion of Basic Rent being prepaid set forth below, plus Interest Portions of Basic Rent accrued to the prepayment date.

***Notice of Prepayment.*** Unless otherwise provided in the Declaration of Trust, notice of prepayment shall be given by the Trustee not less than 30 days nor more than 60 days prior to the Prepayment Date to the City and the Owner of each Series 2015 Certificate affected at the address shown on the registration books of the Registrar on the date such notice is mailed. Each notice of prepayment shall state the Prepayment Date, the place of prepayment, the Prepayment Price and, if less than all, the numbers of the Series 2015 Certificates to be prepaid. Such notice will also state that the Interest Portion of the Basic Rent represented by the Series 2015 Certificates designated for prepayment will cease to accrue from and after such Prepayment Date and that on said date the Prepayment Price will become due and payable on each of such Series 2015 Certificates.

So long as the book-entry only system is used for the Series 2015 Certificates, the Trustee will give any notice of prepayment or any other notices required to be given to owners only to DTC. Any failure of DTC to advise any DTC Participant or of any DTC Participant to notify the Beneficial Owner of any such notice and its content or effect will not affect the validity of the prepayment of the Series 2015 Certificates so called for prepayment. Beneficial Owners may desire to make arrangements with a DTC Participant so that all notices of prepayment or other communications to DTC which affect such

Beneficial Owners, including notification of all interest payments, will be forwarded in writing by such DTC Participant. See **“BOOK-ENTRY SYSTEM.”**

The Trustee is also directed to comply with any mandatory or voluntary standards then in effect for processing prepayments of municipal securities established by the Securities and Exchange Commission. Failure to comply with such standards shall not affect or invalidate the prepayment of any Series 2015 Certificates to be prepaid.

***Effect of Prepayment.*** Notice of prepayment having been duly given as provided, and upon funds sufficient for payment of the Prepayment Price of such Series 2015 Certificates being held by the Trustee, on the Prepayment Date designated in such notice, the Series 2015 Certificates so called for prepayment shall become due and payable at the Prepayment Price specified in such notice and the Interest Portion of Basic Rent represented by the Series 2015 Certificates so called for prepayment shall cease to accrue, said Series 2015 Certificates shall cease to be entitled to any benefit or security under the Declaration of Trust and the Owners of such Series 2015 Certificates shall have no rights in respect thereof except to receive payments of the Prepayment Price.

### **Book-Entry Only System**

***General.*** The Depository Trust Company (**“DTC”**), New York, New York, will act as securities depository for the Certificates. The ownership of one fully registered Certificate for each maturity, as set forth on the cover of this Official Statement, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as the nominee for DTC. Ownership interests in the Certificates 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 D: BOOK-ENTRY SYSTEM** to this Official Statement.

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

## **SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES**

The City has contracted in the Lease to pay the Rental Payments which are general obligations of the City payable from the City’s General Fund, and are not subject to annual appropriation by the Council. The City’s General Fund includes sales tax revenue together with ad valorem taxes which the City is authorized to levy, subject to certain budget and levy limitations, in amounts sufficient to make the Rental Payments. In the Lease, the City has covenanted that the Rental Payments and any additional rent payable under the Lease do not exceed any limitation imposed by law, and that the Rental Payments are not such as may reasonably be expected to require the City to levy taxes in excess of any levy or budget limitation. The City shall continue to be responsible to raise funds to pay and to take all actions required

to provide funds to make the Rental Payments required in the Lease from any power and source lawfully available. The City has further covenanted and agreed that throughout the term of the Lease it will observe all budget and spending limitations now or hereafter imposed by law in such a manner that a sufficient portion of its tax levy or other money shall be lawfully available to pay the Rental Payments and any additional rent due under the Lease. Any property taxes levied by the City to make Rental Payments are subject to the budget and levy limitations described under **“NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION.”**

### **NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION**

In recent years, the Nebraska Legislature (the **“Legislature”**) has enacted and amended legislation intended to reduce the level of property taxation and political subdivision expenditures in the State of Nebraska (the **“State”**). The two statutory sections of principal importance are Section 13-519, Reissue Revised Statutes of Nebraska, as amended (as enacted and amended from time to time, **“Section 13-519”**), which provides for an overall limitation on general fund budget expenditures for all governmental units within the State, and Section 77-3442, Reissue Revised Statutes of Nebraska, as amended (as enacted and amended from time to time, **“Section 77-3442”**), which reduces the rate of taxation for general property taxes authorized for all governmental units within the State.

Section 13-519 provides that for all fiscal years beginning on or after July 1, 1998, no governmental unit (including the City) may adopt a budget containing a total of budgeted restricted funds more than the last prior year’s total of budgeted restricted funds plus allowable growth, plus a basic allowable growth percentage (initially 2½% until adjusted by the Legislature). Restricted funds generally include property taxes, excluding any amounts refunded to taxpayers, payments in lieu of property taxes, local option sales taxes, state aid, transfers of surpluses from any user fee, permit fee, or regulatory fee if the fee surplus is transferred to fund a service or function not directly related to the fee and the costs of the activity funded from the fee, any funds excluded from restricted funds for the prior year because they were budgeted for capital improvements but which were not spent and are not expected to be spent for capital improvements, and any excess tax collections returned to the county by a governmental unit as a result of overpayment due to clerical error or mistake. Allowable growth includes the percentage increase in taxable valuation in excess of the base limitation established under Section 77-3446, Reissue Revised Statutes of Nebraska, as amended, if any, due to improvements to real property as a result of new construction, additions to existing buildings, any improvements to real property which increase the value of such property and any increase in valuation due to annexation and any personal property valuation over the prior year. Such budget limitations may be exceeded by up to an additional 1% upon the affirmative vote of at least 75% of the governing body of the governmental unit, and larger increases are permitted with the approval of a majority of legal voters voting on the issue of such increase at a special election held for such purposes.

Under Section 77-3442, the rates for levying property taxes are limited for each type of governmental unit in the State. The rate for cities is no more than 45¢ per \$100 of taxable valuation plus an additional 5¢ per \$100 of taxable valuation may be levied to provide financing for a city’s share of revenue required under an agreement executed pursuant to the Interlocal Cooperation Act, Chapter 13, Article 8, Reissue Revised Statutes of Nebraska, as amended, or the Joint Public Agency Act, Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended. A political subdivision may exceed the levy limitations provided in Section 77-3442 or a final levy allocation determination as provided in Section 77-3443 by an amount not to exceed a maximum levy approved by a majority of registered voters. The limitations of Section 13-519 do not apply to restricted funds pledged to retire bonded indebtedness, and the limitations of Section 77-3442 do not apply to property taxes levied for bonded indebtedness approved according to law and secured by a levy on property. The limitations of Section 13-519 and

Section 77-3442 apply to any property taxes levied by the City to pay Rental Payments under the Lease. The City's total levy (excluding bond levy) for the current fiscal year is \$0.2834 per \$100 of taxable valuation, which is expected to produce \$49,251,802 in collected taxes.

### **ADDITIONAL CERTIFICATES**

The Trustee may, at any time upon compliance with certain terms and conditions set forth in the Declaration of Trust, deliver Additional Certificates for any purpose specified in the Declaration of Trust. Any Additional Certificates will be equally and ratably secured by the Declaration of Trust on a parity with the Certificates. Concurrently with the delivery of any such Additional Certificates, the Trustee and the City shall deliver an amendment to the Lease obligating the City to make payments of principal thereof and interest thereon in amounts and at times sufficient to provide for the timely payment of principal of and interest on such Additional Certificates. See **"APPENDIX C: DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS - DECLARATION OF TRUST - Additional Certificates."**

### **THE TRUSTEE**

The Trustee is not liable for the payment of Basic Rent Payments, and the Owners have no right to look to the Trustee for any payments of the Certificates or for any other payments other than from funds held under the Declaration of Trust.

### **RISK FACTORS**

#### **Inability to Liquidate**

The enforceability of the Certificates and the Lease is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors rights generally and liens securing such rights, and the police powers of the State and its political subdivisions. The Equipment is appropriate for use only as part of a street lighting system. Because of such limited use, and the delays inherent in obtaining the remedies involving such property, a potential purchaser of the Certificates should not anticipate that remedies could be accomplished rapidly, if at all. Any delays in the ability of the Trustee to exercise its remedies under the Lease or the Declaration of Trust may result in the payment of the Certificates or nonpayment of the Certificates after expenditures of any amount on deposit in the Reserve Fund.

#### **Effects on the Tax Exemption of the Certificates Upon a Termination**

Special Tax Counsel expresses no opinion with respect to the applicability of the registration requirements of the Securities Act of 1933 to any Certificates in the event of a termination of the Lease by reason of an Event of Default. If the Lease is terminated by reason of such event, there is no assurance that the Certificates may be transferred by an Owner thereof without compliance with the registration provisions of the Securities Act of 1933, as amended, or the availability of an exemption therefrom.

Special Tax Counsel expresses no opinion as to the treatment for federal income tax purposes of any moneys received by an Owner of the Certificates other than payments by the City made pursuant to the Lease, upon an Event of Default. There can be no assurance that such moneys received by the Owners of the Certificates in such event will be excludable from gross income for federal income tax purposes.

## THE EQUIPMENT

### Description of the Equipment

The Equipment consists of light poles and related equipment, such as light fixtures, wiring, and other items necessary to complete the installation of new street lights in the City.

### SOURCES AND USES OF FUNDS

The sources and application of funds in connection with the execution of the Series 2015 Certificates, exclusive of accrued interest, are estimated, based upon certain assumptions regarding the investment of such funds, as follows:

#### Sources of Funds:

Par Amount of Certificates	\$3,400,000.00
Net Original Issue Premium	<u>62,601.60</u>
Total Sources of Funds	<u>\$3,462,601.60</u>

#### Applications of Funds:

Street Lights	\$3,380,551.60
Underwriter's Discount	32,550.00
Costs of Issuance*	<u>49,500.00</u>
Total Applications of Funds	<u>\$3,462,601.60</u>

\*Includes legal fees, printing expenses and other miscellaneous expenses.

## SCHEDULE OF LEASE PAYMENTS

The following table sets forth the scheduled amortization of the Series 2015 Certificates:

<b><u>Fiscal Year</u></b> <b><u>Ending August 31</u></b>	<b><u>Principal</u></b> <b><u>Portion</u></b>	<b><u>Interest</u></b> <b><u>Portion</u></b>	<b><u>Total</u></b>
2015	\$ -	\$ -	\$ -
2016	-	66,488.89	66,488.89
2017	305,000	64,950.00	369,950.00
2018	310,000	58,800.00	368,800.00
2019	320,000	52,500.00	372,500.00
2020	325,000	46,050.00	371,050.00
2021	330,000	39,500.00	369,500.00
2022	340,000	32,800.00	372,800.00
2023	350,000	25,900.00	375,900.00
2024	360,000	18,800.00	378,800.00
2025	375,000	11,450.00	386,450.00
2026	385,000	3,850.00	388,850.00
Totals	\$3,400,000	\$421,088.89	\$3,821,088.89

## SUMMARY OF THE LEGAL DOCUMENTS

Attached hereto as **APPENDIX C** are summaries of certain provisions of the Lease and the Declaration of Trust, as well as certain defined terms used therein. The summaries do not purport to be complete, and reference is made to the full text of the Lease and the Declaration of Trust, respectively, for a complete recital of their terms, as well as a complete recital of the defined terms used therein. Copies of all documents relating to the Series 2015 Certificates can be obtained from the Trustee upon payment by such prospective purchaser requesting the same of the cost of complying with such request.

## CONTINUING DISCLOSURE

The City has determined that no financial or operating data concerning the Trustee is material to an evaluation of the offering of the Series 2015 Certificates or to any decision to purchase, hold or sell the Series 2015 Certificates, and the City will not provide any such information. The City has no responsibility to any person with respect to the provision of any information about the Trustee.

The City is executing and delivering the Disclosure Certificate for the benefit of the Owners and Beneficial Owners of the Certificates 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” 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 Disclosure Certificate, the City shall, not later than **May 1** of each year, commencing May 1, 2016, provide to the Municipal Securities Rulemaking District (“**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 Certificates, 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 such financial and operating data as the City customarily prepares of the type included in **Appendix A** of this Official Statement in substantially the same format contained in this Official Statement.

## **Material Event Notices**

Pursuant to the Disclosure Certificate, 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 Series 2015 Certificates (“**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 Series 2015 Certificates, or other material events affecting the tax status of the Series 2015 Certificates;
- (7) modifications to rights of owners of the Series 2015 Certificates, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Series 2015 Certificates, 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 Disclosure Certificate, and may discharge any such 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 Disclosure Certificate.

Notwithstanding any other provision of the Disclosure Certificate, the City may amend the Disclosure Certificate and any provision of the Disclosure Certificate may be waived, provided Special Tax Counsel or other counsel experienced in federal securities law matters provides the City 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 Disclosure Certificate.

In the event of a failure of the City to comply with any provision of the Disclosure Certificate, any Owner or Beneficial Owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an Event of Default under the Lease Agreement or the Declaration of Trust, and the sole remedy under the Disclosure Certificate in the event of any failure of the City to comply with the Disclosure Certificate 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 Disclosure Certificate 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](http://www.emma.msrb.org). Nothing contained on EMMA relating to the City or the Certificates is incorporated by reference in this Official Statement.

#### **RATING**

Moody's Investors Service, Inc. has assigned the Series 2015 Certificates a rating of "Aaa." Such rating reflects only the views of such organization, and an explanation of the significance of such rating may be obtained from Moody's Investors Service, 7 World Trade Center, 350 Greenwich Street, 23<sup>rd</sup> Floor, New York, New York 10007, telephone (212) 553-0300.

Generally, a rating agency bases its rating on such information and materials and investigations, studies and assumptions furnished to and obtained and made by the rating agency. The rating is not a recommendation to purchase, sell or hold a security, inasmuch as it does not comment as to market price or suitability for a particular investor. There is no assurance that the above rating will remain for any given period of time or that it may not be lowered, suspended or withdrawn entirely by such rating agency if it deems circumstances are appropriate. Any downward change in, suspension or withdrawal of such rating may have an adverse effect on the market price of the Series 2015 Certificates.

## LITIGATION

The Transcript of Proceedings will contain a certificate of non-litigation dated as of the closing date and executed by the City to the effect that there is no controversy, suit or proceeding of any kind pending or, to the knowledge of the City, threatened wherein or whereby any question is raised, or may be raised, questioning, disputing or affecting in any way the legal organization of the City, or the legality of any official act shown to have been done regarding the execution and delivery of the Lease or the Series 2015 Certificates or the constitutionality or validity of the obligation represented by the Series 2015 Certificates or the means provided for the Basic Rent Payments under the Lease.

## TAX MATTERS

The following is a summary of the material federal and State of Nebraska income tax consequences of holding and disposing of the Series 2015 Certificates. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Series 2015 Certificates as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Nebraska, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Series 2015 Certificates in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Series 2015 Certificates.

### **Opinion of Special Tax Counsel**

In the opinion of Gilmore & Bell, P.C., Special Tax Counsel, under the law existing as of the issue date of the Series 2015 Certificates:

***Federal and Nebraska Tax Exemption.*** The Interest Portion of Basic Rent Payments on the Series 2015 Certificates (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal and Nebraska income tax purposes.

***Alternative Minimum Tax.*** The Interest Portion of Basic Rent Payments on the Series 2015 Certificates 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 Series 2015 Certificates have not been designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

Special Tax Counsel’s opinions are provided as of the date of the original issue of the Series 2015 Certificates, subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2015 Certificates in order that the Interest Portion of Basic Rent Payments be, or continue to be, excludable from gross income for federal and Nebraska 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 such Interest Portion of Basic Rent Payments on the Series 2015 Certificates in gross income for federal and State of Nebraska income tax

purposes retroactive to the date of issuance of the Series 2015 Certificates. Special Tax Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2015 Certificates but has reviewed the discussion under the heading “TAX MATTERS.”

### **Other Tax Consequences**

***Original Issue Discount.*** For federal income tax purposes, original issue discount (“OID”) is the excess of the stated redemption price at maturity of a Series 2015 Certificate over its issue price. The issue price of a Series 2015 Certificate is the first price at which a substantial amount of the Series 2015 Certificates of that maturity have been sold (ignoring sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). Under Section 1288 of the Code, OID on tax-exempt securities accrues on a compound basis. The amount of OID that accrues to an owner of a Series 2015 Certificate during any accrual period generally equals (1) the issue price of that Series 2015 Certificate, plus the amount of OID accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Series 2015 Certificate (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Series 2015 Certificate during that accrual period. The amount of OID accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner’s tax basis in that Series 2015 Certificate. Prospective investors should consult their own tax advisors concerning the calculation and accrual of OID.

***Original Issue Premium.*** If a Series 2015 Certificate is issued at a price that exceeds the stated redemption price at maturity of the Series 2015 Certificate, the excess of the purchase price over the stated redemption price at maturity constitutes “premium” on that Series 2015 Certificate. Under Section 171 of the Code, the purchaser of that Series 2015 Certificates must amortize the premium over the term of the Series 2015 Certificate using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the Series 2015 Certificate 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 Series 2015 Certificate 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 certificate premium.

***Sale, Exchange or Retirement of Series 2015 Certificates.*** Upon the sale, exchange or retirement (including redemption) of a Series 2015 Certificate, an owner of the Series 2015 Certificate 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 Series 2015 Certificate (other than in respect of accrued and unpaid interest) and such owner’s adjusted tax basis in the Series 2015 Certificate. To the extent a Series 2015 Certificate is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Series 2015 Certificate has been held for more than 12 months at the time of sale, exchange or retirement.

***Reporting Requirements.*** In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the Series 2015 Certificates, and to the proceeds paid on the sale of the Series 2015 Certificates, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner’s federal income tax liability.

***Collateral Federal Income Tax Consequences.*** Prospective purchasers of the Series 2015 Certificates should be aware that ownership of the Series 2015 Certificates 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 Series 2015 Certificates. Special Tax Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2015 Certificates should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Series 2015 Certificates, including the possible application of state, local, foreign and other tax laws.

### **LEGAL MATTERS**

All legal matters incident to the authorization, execution and delivery of the Series 2015 Certificates are subject to the approval of legality by Special Tax Counsel. Special Tax Counsel has participated in the preparation of this Official Statement but the factual and financial information appearing herein has been supplied or reviewed by the City, its officials and counsel. Certain legal matters will be passed upon for the City by its counsel, Jeffery R. Kirkpatrick, City Attorney, Lincoln, Nebraska.

### **ADDITIONAL INFORMATION**

Additional information with respect to the City and the Series 2015 Certificates may be obtained upon request from the City.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the City and Series 2015 Certificate Owners.

This Official Statement has been approved by the City and is submitted only in connection with the sale of the Series 2015 Certificates and may not be reproduced or used in whole or in part for any other purpose.

\* \* \* \* \*

**APPENDIX A**

**CITY OF LINCOLN, NEBRASKA**

## THE CITY OF LINCOLN

### **General**

Lincoln, the capital of Nebraska, is located in southeastern Nebraska near the center of population of the state. The City was originally incorporated in 1869. It is approximately midway between Chicago and Denver. It has an area of 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

<sup>1</sup> City of Lincoln, Building and Safety Department.

<sup>2</sup> 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
<b>Total</b>	<b>39,878</b>		<b>21.96 %</b>

**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 <sup>1</sup> 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

<sup>1</sup> Includes General, Special Revenue, and Debt Service Funds.

### GENERAL GOVERNMENTAL REVENUES BY SOURCE <sup>1</sup> 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

<sup>1</sup> Includes General, Special Revenue, and Debt Service Funds.

**SPECIAL ASSESSMENT COLLECTIONS  
LAST TEN YEARS <sup>1</sup>**

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

<sup>1</sup> 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 <sup>1</sup>**

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

<sup>1</sup>Property is assessed at actual value; therefore, the assessed values are equal to actual value.

**TOTAL PROPERTY TAX LEVIES  
ALL OVERLAPPING GOVERNMENTS  
LAST TEN YEARS <sup>1</sup>**

	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>

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

## DEBT MANAGEMENT OUTSTANDING INDEBTEDNESS AS OF AUGUST 31, 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
<b>General Obligation Bonds:</b>							
<b>General Bonds:</b>							
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							<u>\$ 48,775</u>
<b>Tax Allocation Bonds:</b>							
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							<u>\$ 7,976</u>
<b>Tax Supported Bonds:</b>							
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							<u>\$ 69,975</u>
<b>Special Assessment Bonds:</b>							
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							<u>\$ 3,665</u>
<b>West Haymarket Joint Public Agency</b>							
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							<u>\$ 328,175</u>
<b>TOTAL GENERAL OBLIGATION BONDS</b>							<u>\$ 458,566</u>
<b>Tax Supported Bonds:</b>							
11,080	3/13/02	Antelope Valley Project	1.500 - 5.000	Serial 2002 to 2016	2012	Semiannually	<u>\$ 3,690</u>
<b>Revenue Bonds:</b>							
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							<u>\$ 64,325</u>
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							<u>\$ 49,375</u>
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							<u>\$ 29,205</u>
8,340	02/26/13	Solid Waste Management Revenue and Refunding	250 - 4.000	Serial 2013 to 2029	2023	Semiannually	<u>\$ 7,315</u>
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							<u>\$ 593,440</u>
<b>TOTAL REVENUE BONDS</b>							<u>\$ 743,660</u>

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 <sup>2</sup>	Total Debt Service	Total General Governmental Expenditures <sup>1</sup>	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

<sup>1</sup> Includes: General, Special Revenue, and Debt Service Funds.

<sup>2</sup> 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 <sup>1</sup>	Net G.O. Bonded Debt Per Capita	Assessed Valuation Real And Personal	Ratio of Net Debt To Assessed Valuation Real & Personal <sup>2</sup>	Assessed Valuation Of Taxable Real Property <sup>2</sup>	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%

<sup>1</sup> Source: Lincoln/Lancaster Planning Department.

<sup>2</sup> 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	
<b>Wastewater System</b>							
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
<b>Water System</b>							
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
<b>Parking Facilities <sup>1</sup></b>							
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
<b>Solid Waste Management</b>							
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

<sup>1</sup> 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 OF THE CITY FOR FISCAL YEAR  
ENDED AUGUST 31, 2014, TOGETHER WITH AUDITOR'S REPORT THEREON**



*Comprehensive* **ANNUAL FINANCIAL  
R E P O R T**

*Fiscal Year Ended August 31, 2014*

On the cover:

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"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

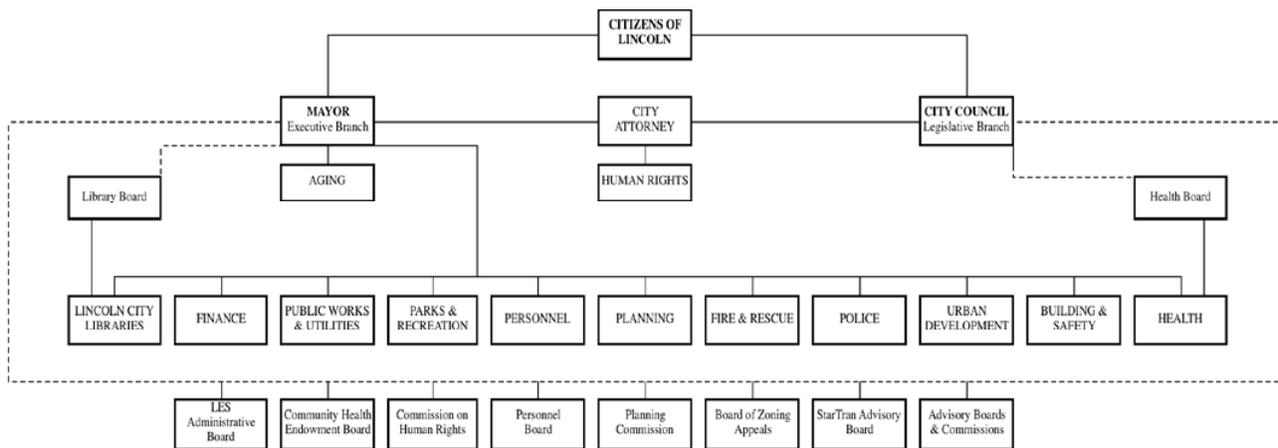
Chris Beutler ..... Mayor  
 Doug Emery ..... Chair, City Council  
 Trent Fellers ..... Vice Chair, City Council  
 Jon Camp ..... Council Member  
 Roy Christensen ..... Council Member  
 Jonathan Cook ..... Council Member  
 Carl Eskridge ..... Council Member  
 Leirion Gaylor Baird ..... Council 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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February 24, 2015

Dear Citizens and Public Officials:

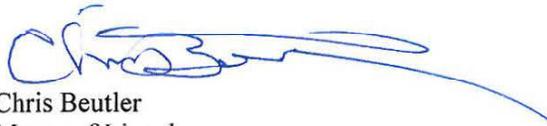
It is my pleasure to submit the City of Lincoln's Comprehensive Annual Financial Report for the fiscal year ended August 31, 2014.

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,



Chris Beutler  
Mayor of Lincoln



**FINANCE DEPARTMENT**

555 South 10th Street Suite 103 Lincoln, NE 68508  
402-441-7411 fax: 402-441-8325 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 27<sup>th</sup> 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:
  - 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.
  - 7) Block 68 housing.
  - 8) Pershing Redevelopment project.
  - 9) Telesis/Dairy House Phase II.
  - 10) Gallery Alley project.
  - 11) 700 O Street project.
- North 27<sup>th</sup> 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) 21<sup>st</sup> & N Street redevelopment project.
  - 2) Aspen housing.
  - 3) 23<sup>rd</sup> 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.
- 56<sup>th</sup> 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:
    - ✓ Yankee Hill Roadway, 70<sup>th</sup> to 81<sup>st</sup> Street.
    - ✓ SW 40<sup>th</sup> Street overpass.
    - ✓ 56<sup>th</sup> Street, Old Cheney to Shadow Pines.
    - ✓ Coddington and West Van Dorn intersection improvements.
    - ✓ Old Cheney Road, 70<sup>th</sup> to 84<sup>th</sup> Street.
    - ✓ Pine Lake Road, 61<sup>st</sup> to Hwy 2.
    - ✓ Rokeby Road, 70<sup>th</sup> to 84<sup>th</sup> Street.
    - ✓ Yankee Hill, 81<sup>st</sup> to 91<sup>st</sup> Street.
    - ✓ 14<sup>th</sup> and Cornhusker Hwy safety project.
    - ✓ 33<sup>rd</sup> and Cornhusker Hwy RTSD project.
    - ✓ 14<sup>th</sup>/Old Cheney/Warlick intersection.
    - ✓ South 84<sup>th</sup>, Hwy 2 to Rokeby Road.
    - ✓ East Beltway preliminary acquisitions.
    - ✓ South Beltway preliminary acquisitions.
    - ✓ Arterial/residential rehabs, executive order, traffic signals.
  - 2) For environmental quality:
    - ✓ Park sites citywide.
    - ✓ Stevens Creek sanitary sewer Phase III, IV & V.
    - ✓ Yankee Hill water main, 56<sup>th</sup> to 84<sup>th</sup> Street.
    - ✓ 98<sup>th</sup> Street water main, Holdrege to Alvo.
    - ✓ West O sanitary sewer lift station.
    - ✓ 6<sup>th</sup> and Old Cheney Road drainage project.
    - ✓ Storm water bond projects.
    - ✓ Miscellaneous sanitary sewer upgrade projects.

- ✓ Conservation easements and wetlands acquisitions.
- ✓ East O Street sewer and water projects
- ✓ Additional projects made possible by Federal Infrastructure Stimulus funds.

3) Relocation activities:

- ✓ 1<sup>st</sup> and Cornhusker Hwy project.
- ✓ 14<sup>th</sup>/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) 1<sup>st</sup> 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**

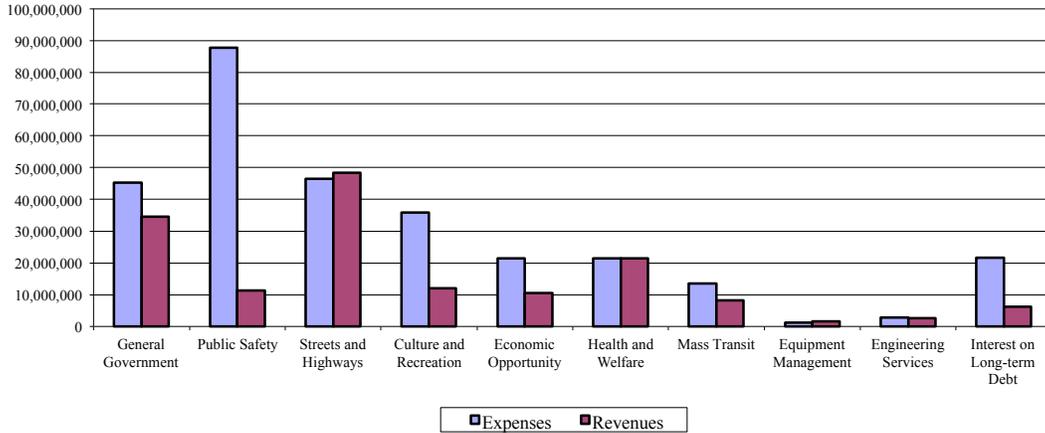
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$ 62,644,024	55,593,762	386,940,021	358,167,400	449,584,045	413,761,162
Operating Grants and Contributions	71,235,768	57,394,538	-	-	71,235,768	57,394,538
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	<u>331,300,576</u>	<u>308,009,566</u>	<u>396,836,922</u>	<u>367,535,209</u>	<u>728,137,498</u>	<u>675,544,775</u>
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	<u>297,651,834</u>	<u>272,180,335</u>	<u>361,454,230</u>	<u>340,587,680</u>	<u>659,106,064</u>	<u>612,768,015</u>
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	<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>

**GOVERNMENTAL ACTIVITIES**

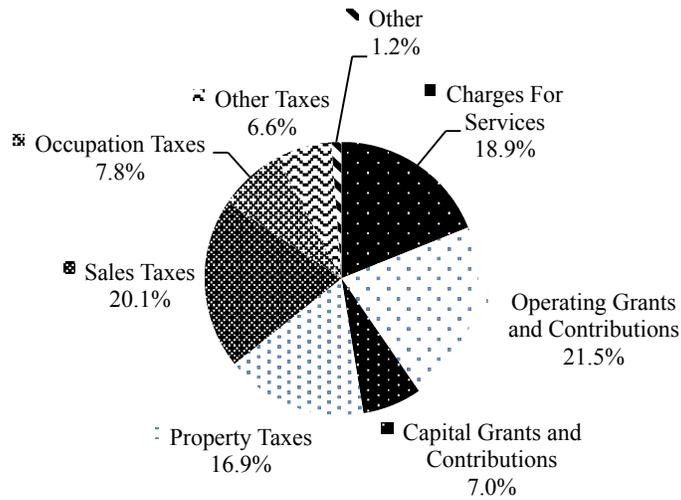
Governmental activities increased the City's net position by \$44,474,285, accounting for 64 percent of the total growth in the net position of the City of Lincoln. Key elements of this increase are as follows:

- 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



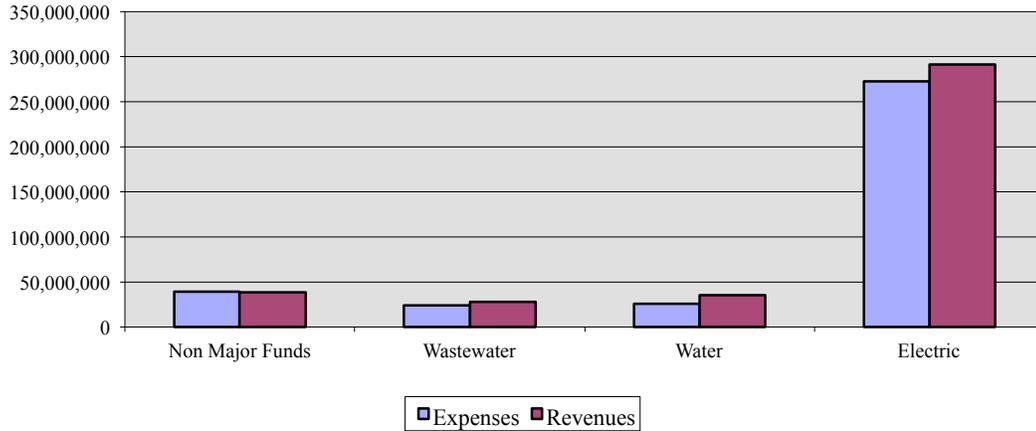
#### BUSINESS-TYPE ACTIVITIES

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:

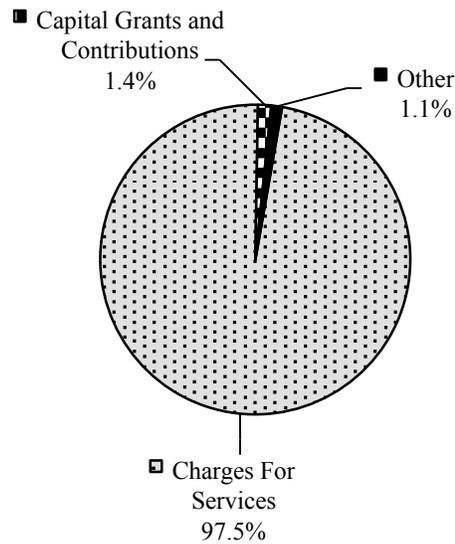
- Lincoln Electric System operating revenue in 2013 was 5.1 percent higher than 2012. Retail revenue was 4.0 percent higher due to the impact of a 2.6 percent rate increase on January 1, 2013. Wholesale revenue decreased 17.5 percent with an energy sales decrease of 9.3 percent. The city dividend for 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 10<sup>th</sup> Street, Lincoln, NE 68508. This report and other financial information are also available online at [www.lincoln.ne.gov/city/finance/](http://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
<b>ASSETS</b>			
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>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Loss on Refunding	<u>1,109,915</u>	<u>21,879,889</u>	<u>22,989,804</u>
<b>LIABILITIES</b>			
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>
<b>NET POSITION</b>			
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
<b>Functions/Programs</b>							
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)
<b>Total Governmental Activities</b>	<b>(297,651,834)</b>	<b>62,644,024</b>	<b>71,235,768</b>	<b>23,165,428</b>	<b>(140,606,614)</b>	<b>-</b>	<b>(140,606,614)</b>
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
<b>Total Business-Type Activities</b>	<b>(361,454,230)</b>	<b>386,940,021</b>	<b>-</b>	<b>5,403,759</b>	<b>-</b>	<b>30,889,550</b>	<b>30,889,550</b>
<b>Total</b>	<b>\$ (659,106,064)</b>	<b>449,584,045</b>	<b>71,235,768</b>	<b>28,569,187</b>	<b>(140,606,614)</b>	<b>30,889,550</b>	<b>(109,717,064)</b>
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
<b>Total General Revenues and Transfers</b>					<b>185,080,899</b>	<b>(6,250,977)</b>	<b>178,829,922</b>
<b>Change in Net Position</b>					<b>44,474,285</b>	<b>24,638,573</b>	<b>69,112,858</b>
<b>Net Position - Beginning</b>					<b>920,946,722</b>	<b>808,569,324</b>	<b>1,729,516,046</b>
<b>Net Position - Ending</b>					<b>\$ 965,421,007</b>	<b>833,207,897</b>	<b>1,798,628,904</b>

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
<b>ASSETS</b>					
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>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
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
<b>REVENUES</b>					
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>
<b>EXPENDITURES</b>					
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>
<b>OTHER FINANCING SOURCES (USES)</b>					
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		
<b>Revenues:</b>				
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>
<b>Expenditures:</b>				
<b>General Government:</b>				
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>
<b>Public Safety:</b>				
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>
<b>Streets and Highways:</b>				
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>
<b>Culture and Recreation:</b>				
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>
<b>Economic Opportunity:</b>				
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>
<b>Health and Welfare:</b>				
Lincoln/Lancaster County Health	271,423	271,423	271,423	-
<b>Debt Service:</b>				
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>
<b>Other Financing Sources (Uses):</b>				
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		
<b>ASSETS</b>						
<b>Current Assets:</b>						
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
<b>Restricted Assets:</b>						
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
<b>Total Current Assets</b>	<b>19,976,997</b>	<b>23,225,019</b>	<b>163,782,000</b>	<b>11,939,098</b>	<b>218,923,114</b>	<b>21,854,707</b>
<b>Noncurrent Assets:</b>						
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	-
<b>Restricted Assets:</b>						
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	-
<b>Total Restricted Assets</b>	<b>7,572,112</b>	<b>7,177,485</b>	<b>19,128,000</b>	<b>8,069,330</b>	<b>41,946,927</b>	<b>235,025</b>
<b>Capital Assets:</b>						
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)
<b>Total Capital Assets, Net</b>	<b>262,080,723</b>	<b>314,866,338</b>	<b>851,406,000</b>	<b>95,769,022</b>	<b>1,524,122,083</b>	<b>23,543,649</b>
<b>Total Noncurrent Assets</b>	<b>278,356,945</b>	<b>331,823,865</b>	<b>875,409,000</b>	<b>108,089,047</b>	<b>1,593,678,857</b>	<b>37,293,873</b>
<b>Total Assets</b>	<b>298,333,942</b>	<b>355,048,884</b>	<b>1,039,191,000</b>	<b>120,028,145</b>	<b>1,812,601,971</b>	<b>59,148,580</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Loss on Refunding	860,147	781,716	20,201,000	37,026	21,879,889	-
<b>LIABILITIES</b>						
<b>Current Liabilities:</b>						
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	-
<b>Total Current Liabilities</b>	<b>9,714,904</b>	<b>8,881,999</b>	<b>151,008,000</b>	<b>10,234,326</b>	<b>179,839,229</b>	<b>9,736,997</b>
<b>Noncurrent Liabilities:</b>						
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	-
<b>Total Noncurrent Liabilities</b>	<b>86,217,219</b>	<b>63,038,636</b>	<b>615,482,000</b>	<b>56,696,879</b>	<b>821,434,734</b>	<b>19,932,535</b>
<b>Total Liabilities</b>	<b>95,932,123</b>	<b>71,920,635</b>	<b>766,490,000</b>	<b>66,931,205</b>	<b>1,001,273,963</b>	<b>29,669,532</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	175,574,409	251,668,822	187,838,000	58,500,864	673,582,095	9,328,700
<b>Restricted for:</b>						
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
<b>Total Net Position</b>	<b>\$ 203,261,966</b>	<b>283,909,965</b>	<b>292,902,000</b>	<b>53,133,966</b>	<b>833,207,897</b>	<b>29,479,048</b>

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		
<b>Operating Revenues</b>						
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>
<b>Operating Expenses</b>						
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>
<b>Nonoperating Revenues (Expenses)</b>						
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	
<b>Cash Flows from Operating Activities</b>						
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>
<b>Cash Flows from Noncapital Financing Activities</b>						
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>
<b>Cash Flows from Capital and Related Financing Activities</b>						
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>
<b>Cash Flows from Investing Activities</b>						
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>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>						
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>
<b>Supplemental Disclosure of Noncash Investing, Capital, and Financing Activities:</b>						
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 &amp; Fire Pension Trust Fund</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
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>
<b>LIABILITIES</b>		
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>
<b>NET POSITION</b>		
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 &amp; 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 10<sup>th</sup> Street, Suite 103, Lincoln, NE 68508, or online at [www.lincoln.ne.gov/city/finance/account/jpa-audits.htm](http://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 20<sup>th</sup> 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  
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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  
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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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
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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.

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
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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.

CITY OF LINCOLN, NEBRASKA  
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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		
<b>General City:</b>							
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
<b>Total General City</b>	<b>457,146,985</b>	<b>786,095,149</b>	<b>114,731,876</b>	<b>47,308,750</b>	<b>9,511,751</b>		
<b>Community Health Endowment:</b>							
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
<b>Total Community Health Endowment:</b>	<b>63,427,872</b>	<b>62,613,916</b>	<b>813,956</b>	<b>-</b>	<b>-</b>		
<b>Police &amp; Fire Pension Trust:</b>							
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	-	-	-	-		
<b>Total Police &amp; Fire Pension Trust</b>	<b>203,603,590</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		
<b>Total Primary Government</b>	<b>\$ 719,178,447</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		

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&amp;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>

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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
<b>Total</b>	<b>\$ 7,048</b>	<b>56,669</b>	<b>23,306</b>	<b>445</b>	<b>147</b>	<b>572</b>	<b>740</b>	<b>2,646</b>	<b>715</b>	<b>92,288</b>	<b>9,409</b>	<b>82,879</b>

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>	

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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
<b>Governmental Activities:</b>				
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
<b>Business-type Activities:</b>				
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>

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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
<b>Lincoln Wastewater System:</b>				
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>

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	Beginning Balances	Increases	Decreases	Ending Balances
<b>Lincoln Water System:</b>				
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
<b>Lincoln Electric System:</b>				
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.

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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						
	General Fund	Street Construction	West Haymarket JPA	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Total
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
<b>Total</b>	<b>\$ 2,069,397</b>	<b>275,470</b>	<b>117,632</b>	<b>12,935,782</b>	<b>1,342,926</b>	<b>642,990</b>	<b>17,384,197</b>

“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							
	General Fund	Street Construction	West Haymarket JPA	Nonmajor Governmental	Lincoln Water System	Lincoln Electric System	Nonmajor Enterprise	Total
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
<b>Total</b>	<b>\$ 22,247,671</b>	<b>5,492,935</b>	<b>657,266</b>	<b>24,998,643</b>	<b>166,987</b>	<b>8,811,424</b>	<b>2,623,666</b>	<b>64,998,592</b>

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.

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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:

<b>Lincoln Electric System:</b>	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)
<b>Total</b>	<b>\$ 42,851,739</b>	<b>\$ 2,711,227</b>

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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.

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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
<b>Governmental Activities:</b>							
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							<u>\$ 48,775</u>
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							<u>\$ 7,976</u>
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							<u>\$ 69,975</u>
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							<u>\$ 3,665</u>
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							<u>\$ 378,175</u>
<b>TOTAL GENERAL OBLIGATION BONDS</b>							<u><u>\$ 458,566</u></u>
Tax Supported Bonds:							
\$ 11,080	3/13/02	Antelope Valley Project	1.500 - 5.000	Serial 2002 to 2016	2012	Semiannually	<u>\$ 3,690</u>

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Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
<b>Business-Type Activities:</b>							
<b>Revenue Bonds:</b>							
\$ 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							<u>\$ 64,325</u>
\$ 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							<u>\$ 49,375</u>
\$ 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							<u>\$ 29,205</u>
\$ 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							<u>\$ 593,440</u>
<b>TOTAL REVENUE BONDS</b>							<u><b>\$ 743,660</b></u>

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	<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/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	<u>\$ 743,660</u>	<u>365,506</u>	<u>37,681</u>	<u>11,734</u>	<u>1,939</u>	<u>137</u>

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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
<b>Governmental Activities:</b>					
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
<b>Business-Type Activities:</b>					
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
<b>Lincoln Wastewater System:</b>					
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>
<b>Lincoln Water System:</b>					
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>
<b>Lincoln Electric System:</b>					
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.	-	<u>13,375,182</u>
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.

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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.

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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>
<b>CONDENSED STATEMENT OF NET POSITION</b>		
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>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION</b>		
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>
<b>CONDENSED STATEMENT OF CASH FLOWS</b>		
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>

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**(20) PLEDGED 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

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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 10<sup>th</sup> Street, Lincoln, Nebraska 68508.

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**(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

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

	2014
<b>Total Pension Liability</b>	
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
 <b>Plan Fiduciary Net Position</b>	
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
 <b>PFDP Net Pension Liability - ending (a) - (b)</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  
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**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  
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**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
2014	\$ 7,378	\$ 7,866	107 %
2013	6,718	6,447	96
2012	5,574	6,052	109
2011	4,652	4,334	93
2010	3,752	3,963	106
2009	3,316	3,572	108

**Schedule of Funding Progress for City OPEB**

(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
September 1, 2013	\$ 0	\$ 18,738	\$ 18,738	0.0 %	\$ 123,231	15.2 %
September 1, 2011	0	24,902	24,902	0.0	118,498	21.0
September 1, 2009	0	19,796	19,796	0.0	112,002	17.7

## APPENDIX C

### DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS

The summaries of the Declaration of Trust and the Lease contained in this **Appendix C** do not purport to be comprehensive or definitive and are qualified in their entirety by reference to such documents, copies of which may be viewed at the principal corporate office of the Trustee, or will be provided by the Trustee to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request.

#### Definitions

The definitions of certain words and terms used in this Official Statement are set forth below:

**“Additional Certificates”** means any Certificates executed and delivered pursuant to the Declaration of Trust.

**“Authorized Representative”** means the Mayor or the Interim Finance Director of the City or any other person designated as an Authorized Representative by the Mayor, such designation being approved by the governing body of the City by a resolution or ordinance that is filed with the Trustee.

**“Basic Rent”** means the Basic Rent Payments comprised of a Principal Portion and an Interest Portion as set forth in the Lease.

**“Basic Rent Payment”** means a payment of Basic Rent.

**“Basic Rent Payment Date”** means each October 15 during the Lease Term, commencing on October 15, 2015.

**“Business Day”** means a day other than (a) a Saturday, Sunday or legal holiday, (b) a day on which banks located in any city in which the principal corporate trust office or designated payment office of the Trustee is located are required or authorized by law to remain closed, or (c) a day on which the Securities Depository (as defined in the Declaration of Trust) or the New York Stock Exchange is closed.

**“Cede & Co.”** means Cede & Co., as nominee name of The Depository Trust Company, New York, New York, and any successor nominee of the Securities Depository with respect to the Certificates.

**“Certificate Payment”** means the payments to be made to the Owners of the Certificates, whether representing Interest Portion only or Principal Portion and Interest Portion of Basic Rent under the Lease.

**“Certificates”** means the Series 2015 Certificates and any Additional Certificates.

**“City”** means The City of Lincoln, Nebraska, a city of the primary class duly created, organized and existing under and by virtue of the laws of the State of Nebraska, and its successors.

**“Code”** means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

**“Completion Certificate”** means the certificate of the City given in accordance with the Lease.

**“Completion Date”** means the date of completion of the Equipment as set forth in the Completion Certificate provided pursuant to the Lease.

**“Compliance Agreement”** means the Tax Compliance Agreement between the City and the Trustee executed and delivered by the City in connection with the execution and delivery with each series of Certificates.

**“Contract”** means one of any agreements between the City and various parties, if any, providing for the acquisition and installation of various portions of the Equipment.

**“Costs of Equipment”** means all reasonable or necessary expenses related or incidental to the acquisition and installation of the Equipment, including the expenses of studies, surveys, title policies, architectural and engineering services, legal and other special services and all other necessary and incidental expenses, including interest on the Certificates to the Completion Date. Costs of Equipment includes Costs of Issuance.

**“Costs of Issuance”** means all items of expense directly or indirectly payable by or reimbursable to the City and related to the authorization, execution, sale and delivery of the Certificates, including advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee, legal fees of parties to the transaction and all other initial fees and disbursements contemplated by the Lease and the Declaration of Trust.

**“Declaration of Trust”** means the Declaration of Trust dated April 23, 2015, made by the Trustee, as the same may from time to time be amended or supplemented in accordance with its terms.

**“Directive”** means an instrument in writing executed in one or more counterparts by the Owners of Certificates, as determined from the records of the Registrar kept pursuant to the Declaration of Trust, or their lawful attorneys-in-fact, representing not less than a majority of the aggregate unpaid Principal Portion represented by the then Outstanding Certificates.

**“Disclosure Certificate”** means the Continuing Disclosure Undertaking executed and delivered by the City in connection with the execution and delivery of a series of Certificates, as from time to time amended.

**“Equipment”** means the equipment identified and described in the Lease.

**“Event of Default”** means an Event of Default as described in the Declaration of Trust.

**“Event of Lease Default”** means an Event of Default as described in the Lease.

**“Fiscal Year”** means the fiscal year of the City, currently the twelve-month period beginning September 1 and ending on August 31.

**“Funds”** means, collectively, the Funds created and held under the Declaration of Trust and all accounts therein.

**“Government Obligations”** means (a) direct noncallable obligations of the United States of America and obligations the timely payment of principal and interest on which is fully and

unconditionally guaranteed by the United States of America, and (b) trust receipts or certificates evidencing participation or other direct ownership interests in principal or interest payments to be made upon obligations described in clause (a) above that are held in a custody or trust account free and clear of all claims of persons other than the holders of such trust receipts or certificates, and (c) obligations which are noncallable or for which the call date has been irrevocably determined having an investment rating in the highest rating category of either Moody's or S&P as a result of the advance refunding of such obligations by the deposit of direct noncallable obligations of the United States of America in a trust or escrow account segregated and exclusively set aside for the payment of such obligations and which mature as to principal and interest in such amounts and at such times as will insure the availability of sufficient money to timely pay such principal and interest.

**"Impositions"** means all taxes and assessments, general and special, if any, that may be lawfully taxed, charged, levied, assessed or imposed upon or against or be payable for or in respect of the Equipment, including any taxes and assessments not of the kind enumerated above to the extent that the same are lawfully made, levied or assessed in lieu of or in addition to taxes or assessments now customarily levied against real or personal property, and further including all water and sewer charges, assessments and other general governmental charges and impositions whatsoever, foreseen or unforeseen, that if not paid when due would impair the security of the Trustee or encumber the Equipment.

**"Interest Portion"** means the portion of each Basic Rent Payment that represents the payment of interest as set forth in the Lease.

**"Investment Securities"** means and includes any of the following securities, if and to the extent the same are permitted by law:

- (a) Government Obligations;
- (b) other obligations issued by or on behalf of agencies or instrumentalities of the United States of America except for the Federal Farm Credit Bank;
- (c) negotiable certificates of deposit, demand deposits and other deposit arrangements, repurchase agreements, and investment agreements issued by banks or trust companies, including without limitation, the Trustee and its affiliates, continuously secured (to the extent not fully insured by the Federal Deposit Insurance Corporation), for the benefit of the Trustee by lodging with a bank or trust company (which may or may not be the bank or trust company issuing such negotiable certificates of deposit, repurchase agreement or investment agreement), as collateral security, securities described in (a) and (b) above having a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit, demand deposits and other deposit arrangements; and
- (d) money market mutual funds rated in the highest rating category by a nationally recognized rating service consisting of Government Obligations or repurchase agreements for Government Obligations.

**"Lease"** means the Lease Purchase Agreement, dated April 23, 2015, between the Trustee, as lessor, and the City, as lessee, as amended and supplemented from time to time in accordance with its terms.

**"Lease Revenue Fund"** means the fund by that name established pursuant to the Declaration of Trust.

**“Lease Revenues”** means the Basic Rent Payments, Supplemental Rent Payments and all other amounts due and owing pursuant to or with respect to the Lease, including prepayments, insurance proceeds, condemnation proceeds, and any and all interest, profits or other income derived from the investment thereof in any fund or account established pursuant to the Declaration of Trust.

**“Lease Term”** means the term of the Lease beginning on the date of delivery of the Certificates and ending on October 15, 2025, unless earlier terminated in accordance with the provisions of the Lease.

**“Moody’s”** means Moody’s Investors Service, Inc., and its successors and assigns, and, if such firm is dissolved or liquidated or shall no longer perform the functions of a securities rating service, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating service designated by the City, with notice to the Trustee.

**“Net Proceeds”** means the amount remaining from the gross proceeds of any insurance claim, condemnation award or sale under threat of condemnation after deducting all reasonable expenses, including attorneys’ fees, incurred in the collection thereof.

**“Notice by Mail”** or **“Notice”** of any action or condition **“by Mail”** means a written notice meeting the requirements of the Declaration of Trust mailed by first-class mail to the Owners of specified Certificates, at the addresses shown on the registration books maintained by the Registrar.

**“Opinion of Counsel”** means a written opinion of any legal counsel having expertise in the matters covered in such opinion and acceptable to the City and the Trustee who may be an employee of or counsel to the City or the Trustee.

**“Opinion of Special Tax Counsel”** means a written opinion of Gilmore & Bell, P.C., or other legal counsel acceptable to the City and the Trustee who is nationally recognized as expert in matters pertaining to the validity of obligations of governmental issuers and the exemption from federal income taxation of interest on such obligations.

**“Outstanding”** means, as of the date of determination, all Certificates theretofore executed and delivered pursuant to the Declaration of Trust except (i) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation, (ii) Certificates for the transfer or exchange of or in lieu of or in substitution for which other Certificates shall have been executed and delivered by the Trustee pursuant to the Declaration of Trust, (iii) Certificates whose payment or prepayment has been provided for in accordance with the Declaration of Trust, and (iv) Certificates paid or deemed to be paid pursuant to the Declaration of Trust.

**“Owner”** of a Certificate means the registered owner of such Certificate as shown on the register kept by the Registrar.

**“Participants”** means those financial institutions for whom the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

**“Prepayment Date”** means any date set for prepayment of the Principal Portion of Basic Rent represented by Certificates.

**“Prepayment Price”** means, with respect to any Certificate (or portion thereof) the amount specified in the Declaration of Trust.

**“Principal Portion”** means the principal portion of the Basic Rent Payments as set forth in the Lease.

**“Proceeds”** means the aggregate moneys initially paid to the Trustee for the Certificates.

**“Project Fund”** means the Project Fund as defined in the Declaration of Trust.

**“Purchase Price”** means the amount designated as such in the Lease that the City shall pay to the Trustee to purchase the Trustee’s interest in the Equipment.

**“Rebate Fund”** means the fund by that name established pursuant to the Declaration of Trust.

**“Record Date”** means the last day of the month (whether or not a Business Day) prior to the month in which Basic Rent Payment Date occurs.

**“Registrar”** means the Trustee when acting in that capacity, or its successor as Registrar.

**“Rent”** means, collectively, Basic Rent and Supplemental Rent.

**“Rent Payment”** means a payment of Rent.

**“Representation Letter”** means the Representation Letter from the City to the Securities Depository.

**“Securities Depository”** means, initially, The Depository Trust Company, New York, New York, and its successors and assigns.

**“Series 2015 Certificates”** means the \$3,400,000 principal amount Certificates of Participation, Series 2015, evidencing a proportionate interest in Basic Rent Payments to be made by The City of Lincoln, Nebraska, pursuant to a Lease Purchase Agreement, executed and delivered pursuant to the Declaration of Trust.

**“Special Tax Counsel”** means Gilmore & Bell, P.C., or any other attorney or firm of attorneys of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds or other obligations issued by states and political subdivisions duly admitted to the practice of law before the highest court of any state of the United States of America.

**“State”** means the State of Nebraska.

**“Supplemental Declaration of Trust”** means any amendment or supplement to the Declaration of Trust entered into pursuant to the provisions of the Declaration of Trust.

**“Supplemental Lease”** means any amendment or supplement to the Lease entered into pursuant to the provisions of the Lease.

**“Supplemental Rent”** means all amounts due under the Lease other than Basic Rent.

**“Supplemental Rent Payment”** means a payment of Supplemental Rent.

**“Trust Estate”** means the assets, property and interests held by the Trustee pursuant to the Declaration of Trust and the Lease.

**“Trustee”** means Union Bank and Trust Company, Lincoln, Nebraska, and its successor or successors and their respective assigns.

## **SUMMARY OF THE DECLARATION OF TRUST**

### **General Provisions**

The Declaration of Trust is made by the Trustee. The Declaration of Trust authorizes the Trustee to execute and deliver the Series 2015 Certificates, provides the terms of the Series 2015 Certificates and provides for various Funds related to the Equipment and the Lease.

### **Trust Estate**

Under the Declaration of Trust, the Trustee holds all of the assets, property and interests received by it under the terms of the Declaration of Trust and the Lease and all agreements and instruments contemplated thereby (except the Rebate Fund and any compensation, indemnification or other amounts which may be due directly to the Trustee thereunder, collectively, the **“Trust Estate”**), as trustee, upon the terms and trusts set forth under the Declaration of Trust for the equal and proportionate benefit, security and protection of all present and future Owners of the Certificates.

### **Additional Certificates**

Upon the execution and delivery of a Supplemental Lease that provides for an increase in the amount of Basic Rent payable under the Lease and so long as no Event of Default exists, Additional Certificates evidencing the right of the Owners thereof to receive the Principal Portion and the Interest Portion of such additional Basic Rent may be executed and delivered under and equally and ratably secured by the Declaration of Trust on a parity with the Series 2015 Certificates and any other Additional Certificates, at any time and from time to time, upon compliance with the conditions provided in the Declaration of Trust, for the purpose of providing funds to pay all or any part of the cost of (a) repairing, replacing or restoring the Equipment, (b) improving, upgrading or modifying the Equipment, (c) the acquisition of additional Equipment, and (d) refunding any or all of the Certificates.

### **Establishment of Funds**

The following funds and accounts are established under the Declaration of Trust:

- (a) Project Fund;
- (b) Lease Revenue Fund; and
- (c) Rebate Fund.

### **Application of Lease Revenues**

Lease Revenues shall be deposited, as received pursuant to the Lease, as follows:

- (a) The Basic Rent shall be deposited to the Lease Revenue Fund.

(b) Optional prepayments of the Principal Portion of Basic Rent in amounts equal to the applicable Prepayment Price, shall be deposited to the Lease Revenue Fund.

(c) Payments of Supplemental Rent pursuant to the Lease shall be applied as provided in the Lease.

Undesignated payments of Rent which are insufficient to discharge the full amount then due shall be applied first to the Interest Portion of Basic Rent, next to the Principal Portion of Basic Rent and finally to Supplemental Rent.

### **Disbursements from the Project Fund**

Payment shall be made from money in the Project Fund upon receipt by the Trustee of a requisition certificate therefor signed by an Authorized Representative of the City. The Completion Date of the acquisition and installation of the Equipment and the payment of all Costs of Equipment (other than Costs of Equipment for which sufficient amounts are retained in the Project Fund) shall be evidenced by the filing with the Trustee of the Completion Certificate pursuant to the Lease. As soon as practicable following the receipt by the Trustee of the Completion Certificate, any balance remaining in the Project Fund shall be transferred and deposited without further authorization as provided in the Lease. In the event of the acceleration of all of the Certificates pursuant to the Declaration of Trust, any money then remaining in the Project Fund shall be transferred and deposited to the credit of the Lease Revenue Fund and will be used to pay Basic Rent.

### **Application of Money in the Lease Revenue Fund**

Except as otherwise provided in the Declaration of Trust, all amounts in the Lease Revenue Fund shall be used and withdrawn by the Trustee solely to pay Basic Rent represented by the Certificates when due and payable or on a Prepayment Date.

### **Rebate Fund**

Money shall be deposited in and disbursed from the Rebate Fund in accordance with written instructions from the City to the Trustee prepared in accordance with the provisions of the Compliance Agreement.

### **Investment of Money in Various Funds**

Money held in the Project Fund, the Lease Revenue Fund and the Rebate Fund shall, subject to the requirements of the Compliance Agreement and as provided in the Declaration of Trust, be invested and reinvested by the Trustee, pursuant to written direction of the City, signed by an Authorized Representative of the City, in Investment Securities that mature or are subject to redemption by the owner prior to the date such funds will be needed. In the absence of such instructions the Trustee is authorized to invest money in Investment Securities described in paragraph (d) of the definition of Investment Securities in this **Appendix C**.

The Trustee shall sell and reduce to cash a sufficient amount of such Investment Securities held by the Trustee in any fund under the Declaration of Trust whenever the cash balance in such fund is insufficient for the purpose of such fund. Any such Investment Securities shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund or account in which such money is originally held, and the interest accruing thereon and any profit realized from such Investment

Securities shall be credited to such fund or account, and any loss resulting from such Investment Securities shall be charged to such fund or account.

### **Amendments to the Declaration of Trust or the Lease**

The Declaration of Trust and the Lease and the rights and obligations of the City and of the Owners of the Certificates and of the Trustee may be modified or amended from time to time and at any time by an amendment or supplement thereto which the parties thereto may enter into when the written consent of the Trustee and the City, if not a party thereto, and the Owners of a majority in aggregate Principal Portion of Basic Rent Payments represented by the Certificates then Outstanding shall have been filed with the Trustee. No such modification or amendment shall (a) extend the stated maturity of any Certificate, or reduce the amount of principal represented thereby, or extend the time of payment or reduce the amount of any Prepayment Price provided in the Declaration of Trust for the payment of any Certificate, or reduce the rate of interest with respect thereto, or extend the time of payment of interest with respect thereto without the consent of the Owner of each Certificate so affected, (b) reduce the specified percentage of Certificates the consent of the Owners of which is required to effect any such modification or amendment or, except in connection with the delivery of any Additional Certificates, permit the creation of any lien on the money in the Project Fund or the Lease Revenue Fund or deprive the Owners of the trust created by the Declaration of Trust with respect to the money in the Project Fund or the Lease Revenue Fund or (c) create a preference or priority of any Certificate or Certificates over any other Certificate or Certificates without the consent of the Owners of all of the Certificates then Outstanding.

Notwithstanding the foregoing paragraph, the Declaration of Trust or the Lease and the rights and obligations of the City, of the Trustee and of the Owners of the Certificates may also be modified or amended from time to time and at any time by an agreement which the parties thereto may enter into without the consent of any Certificate Owners, only to the extent permitted by law and only for any one or more of the following purposes: (a) to add to the covenants and agreements of the Trustee in the Declaration of Trust, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Certificates (or any portion thereof), or to surrender any right or power reserved under the Declaration of Trust to or conferred upon the City; provided, however, that no such covenant, agreement, pledge, assignment or surrender will in the sole judgment of the Trustee materially adversely affect the interests of the Trustee or the Owners of the Certificates; (b) to add to the covenants and agreements of the City in the Lease, other covenants and agreements thereafter to be observed or to surrender any right or power therein reserved to or conferred upon the Trustee or the City; provided, however, that no such covenant, agreement or surrender will in the sole judgment of the Trustee materially adversely affect the interests of the Owners of the Certificates; (c) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Declaration of Trust or the Lease, or in regard to matters or questions arising under the Declaration of Trust or the Lease as the Trustee and the City may deem necessary or desirable and not inconsistent with such agreements, or as may be requested by the City or the Trustee and which shall not, in any such case in the sole judgment of the Trustee materially adversely affect the interests of the Owners of the Certificates; (d) to modify, amend or supplement the Declaration of Trust in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and that will not in the sole judgment of the Trustee materially adversely affect the interests of the Owners of the Certificates; (e) to provide for any additional procedures, covenants or agreements necessary to maintain the exclusion of the Interest Portion of Basic Rent from gross income for purposes of federal income taxation; (f) to provide for the execution and delivery of Additional Certificates; or (g) to make any other change that in the sole judgment of the Trustee does not have a materially adverse effect on the rights of the Certificate Owners.

## **Defaults**

The occurrence of any of the following events, subject to the provisions of the Declaration of Trust, is hereby defined as an “Event of Default”:

- (a) Default in the due and punctual payment of any Interest Portion of Basic Rent represented by a Certificate; or
- (b) Default in the due and punctual payment of the Principal Portion of Basic Rent represented by a Certificate, whether at the stated payment date thereof or the Prepayment Date set therefor in accordance with the terms of the Declaration of Trust; or
- (c) Any Event of Lease Default.

## **Acceleration**

Upon the occurrence of an Event of Default, the Trustee may, and upon receipt of a Directive shall, by notice in writing delivered to the City, declare the Principal Portion and Interest Portion of Basic Rent represented by all Certificates Outstanding to the end of the then current Fiscal Year immediately due and payable.

## **Other Remedies Upon an Event of Default**

Upon the occurrence of an Event of Lease Default, the Trustee may exercise any remedies available under the Lease and, to the extent consistent therewith, may sell, lease or manage any portion of the Equipment or the Trustee’s interest in the Equipment and apply the net proceeds thereof in accordance with the Declaration of Trust and, whether or not it has done so, may pursue any other remedy available to it under the Lease or at law or in equity.

No remedy by the terms of the Declaration of Trust conferred upon or reserved to the Trustee or to the Certificate Owners is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Certificate Owners thereunder or now or hereafter existing at law or in equity or by statute.

## **Rights of Certificate Owners**

If an Event of Default has occurred and is continuing and if instructed to do so by a Directive and if indemnified as provided in the Declaration of Trust, the Trustee shall be obligated to exercise such one or more of the rights and the remedies conferred thereunder as the Trustee, upon the advice of counsel, shall deem to be in the interests of the Certificate Owners; provided that such Directive will not be otherwise than in accordance with the provisions of law and of the Declaration of Trust, and provided further that the Trustee will have the right to decline to follow any such Directive if the Trustee in good faith determines that the proceedings so directed would involve it in personal liability.

Any other provision in the Declaration of Trust to the contrary notwithstanding, the Owners of not less than a majority in aggregate principal amount of Certificates then Outstanding shall have the right, at any time, by a Directive, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the Declaration of Trust, or for the appointment of a receiver or any other proceedings thereunder; provided that such Directive will not be otherwise than in accordance with the provisions of law and of the Declaration of Trust, and provided, further, that the

Trustee has been indemnified as provided in the Declaration of Trust and will have the right to decline to follow any such direction if the Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability.

### **Defeasance**

When (a) the obligations of the City under the Lease have been satisfied in connection with the exercise by the City of its option to purchase the Equipment in accordance with, and only if permitted by, the Lease by the irrevocable deposit in escrow of money or Government Obligations (maturing as to principal and interest in such amounts and at such times as are necessary to make any required payments without reinvestment of any earnings thereon) or both moneys and Government Obligations, and (b) the City has delivered to the Trustee, (1) an Opinion of Counsel to the effect that the conditions for such discharge contained in the Declaration of Trust have been satisfied or irrevocably provided for and (2) an accountant's certificate verifying the sufficiency of money or Government Obligations or both so deposited for the payment of the Principal Portion and Interest Portion of the Certificates and any applicable Prepayment Price to be paid with respect to the Certificates and (c) the City has deposited sufficient moneys to pay the fees, charges and expenses of the Trustee (or has made provision satisfactory to the Trustee for their payment), thereupon the obligations created by the Declaration of Trust shall cease, determine and become void except for the right of the Certificate Owners and the obligation of the Trustee to apply such money and Government Obligations to the payment of the Certificates as set forth in the Declaration of Trust; provided, however, that all provisions of the Declaration of Trust relating to the compensation or indemnification of the Trustee will survive the satisfaction and discharge of the Declaration of Trust.

### **The Trustee**

The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform only such duties as are specifically set forth in the Declaration of Trust. The Trustee will have no implied duties. The permissive right or power to take any action may not be construed as a duty to take action under any circumstances, and the Trustee will not be liable except in the event of its gross negligence or willful misconduct. The Trustee will, during the existence of any Event of Default, exercise such of the rights and powers vested in it by the Declaration of Trust, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

The Trustee may be removed at any time by a Directive. The Trustee will give written notice of any removal pursuant to the Declaration of Trust to the City. The Trustee will resign at any time the Trustee ceases to be eligible in accordance with the Declaration of Trust, or becomes incapable of acting, or is adjudged as bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer takes control or charge of the property or affairs for the purpose of rehabilitation, conservation or liquidation, and thereupon a successor Trustee shall be appointed by a Directive.

The Trustee may at any time resign by giving written notice of such resignation to the City and by giving the Certificate Owners Notice by Mail of such resignation at the addresses listed on the registration books kept by the Registrar pursuant to the Declaration of Trust. Upon receiving such notice of resignation, a successor Trustee will be appointed by a Directive.

## **SUMMARY OF THE LEASE**

### **General**

The Lease has been entered into between the Trustee and the City and contains the terms and conditions under which the Equipment will be leased to and used by the City.

### **Lease Term**

The term of the Lease begins on the date of delivery of the Certificates and ends on October 15, 2025, unless earlier terminated in accordance with the provisions thereof.

### **Obligations Unconditional**

The obligations of the City under the Lease to pay Rent during the Lease Term on or before the date the same become due, and to perform all of its other obligations, covenants and agreements under the Lease shall be absolute and unconditional, without notice or demand, and without abatement, deduction, set off, counterclaim, recoupment or defense or any right of termination or cancellation arising from any circumstance whatsoever, whether now existing or hereafter arising, and irrespective of whether the Equipment shall have been purchased or installed, or whether the Trustee's title to the Equipment or to any part thereof is defective or nonexistent, and notwithstanding any damage to, loss, theft or destruction of the Equipment or any part thereof, any failure of consideration or frustration of commercial purpose, the taking by eminent domain of title to or of the right of temporary use of all or any part of the Equipment, legal curtailment of the City's use thereof, the eviction or constructive eviction of the City, any change in the tax or other laws of the United States of America, the State or any political subdivision thereof, any change in the Trustee's legal organization or status, or any default of the Trustee thereunder, and regardless of the invalidity of any action of the Trustee, and regardless of the invalidity of any portion of the Lease, and the City hereby waives the provisions of any statute or other law now or hereafter in effect contrary to any of its obligations, covenants or agreements under the Lease or which releases or purports to release the City therefrom.

### **Net Lease**

The Lease is intended to be triple net to the Trustee, subject to the Lease, and the obligations of the City to make payment of the Rent Payments and to perform and observe the other covenants and agreements contained in the Lease will be absolute and unconditional in all events without abatement, diminution, deduction, setoff or defense, for any reason, including any failure of the Equipment to be acquired or installed, any defects, malfunctions, breakdowns or infirmities in the Equipment or any accident, condemnation or unforeseen circumstances.

### **Payment for the Equipment**

Costs and expenses of every nature incurred in the acquisition or installation of the Equipment that qualify as Costs of Equipment shall be paid by the Trustee from the Project Fund upon receipt by the Trustee of a completed request of the City signed by the Authorized Representative of the City and containing the statements, representations and certifications set forth in the form of such request attached to the Declaration of Trust.

### **Completion Date; Excess Funds**

The Completion Date shall be evidenced to the Trustee upon receipt by the Trustee of a certificate signed by the Authorized Representative of the City (the “**Completion Certificate**”) stating (a) the date on which the installation of the Equipment was substantially completed, (b) that all other facilities necessary in connection with the Equipment have been purchased and installed, (c) that the Equipment and such other facilities have been purchased, made and installed, in accordance with the plans and specifications therefor and in conformance with all applicable zoning, planning, building, environmental and other similar governmental regulations, (d) that, except for Costs of Equipment described in accordance with clause (e), all Costs of Equipment have been paid, and (e) the amounts, if any, to be retained in the Project Fund for the payment of Costs of Equipment, if any, not yet due or Costs of Equipment whose liability the City is contesting, and amounts that otherwise should be retained and the reasons they should be retained. The Completion Certificate may state that it is given without prejudice to any rights of the City that then exist or may subsequently come into being against third parties. Any amounts remaining in the Project Fund that are not needed to pay any remaining Costs of Equipment will be transferred by the Trustee without further authorization to the Lease Revenue Fund.

### **Enjoyment of Equipment**

The Trustee will provide the City during the Lease Term with quiet use and enjoyment of the Equipment, and the City will, during the Lease Term, peaceably and quietly have, hold and enjoy the Equipment, without suit, trouble or hindrance from the Trustee, except as expressly set forth in the Lease. The City will have the right to use the Equipment for any essential governmental or proprietary purpose of the City, subject to the limitations contained in the Lease.

### **Basic Rent**

The City will promptly pay all Basic Rent in lawful money of the United States of America on each Basic Rent Payment Date in such amounts as are described in the Lease. A portion of each Basic Rent Payment is paid as, and represents payment of, interest. To provide for the timely payment of Basic Rent, the City shall pay to the Trustee for deposit in the Lease Revenue Fund not less than five business days before each Basic Rent Payment Date, the amount due on such Basic Rent Payment Date.

The City will, in accordance with the requirements of law and its normal budgeting procedures, fully budget and appropriate sufficient funds for the current Fiscal Year to make the Rent Payments scheduled to come due during the Lease Term, and to meet its other obligations for the Lease Term, and such funds will not be expended for other purposes.

### **Supplemental Rent**

The City shall pay as Supplemental Rent (a) all Impositions (as defined in the Lease); (b) all amounts required under the Lease and all other payments of whatever nature which the City has agreed to pay or assume under the Lease; (c) all expenses, including attorneys’ fees and expenses to the extent permitted by law, incurred in connection with the enforcement of any rights under the Lease by the Trustee; (d) all fees, charges and expenses of the Trustee as further provided in the Lease; and (e) any payments required to be made pursuant to the Compliance Agreement. Amounts required to be paid under this Section will be paid directly to the person or entity owed.

### **Increased Basic Rent**

Notwithstanding any other provision of the Lease, the Trustee and the City may enter into a Supplemental Lease or Supplemental Leases that increase the amount of Basic Rent payable by the City on any Basic Rent Payment Date to provide funds to pay the costs of (a) repairing, replacing or restoring the Equipment, (b) improving, upgrading or modifying the Equipment, (c) additions to the Equipment or the acquisition of additional personal property to be included in the Equipment, and (d) refunding any or all of the Certificates.

### **Disclaimer of Warranties**

The Trustee makes no warranty or representation, either express or implied, as to the value, design, condition or fitness for particular purpose or fitness for use of the Equipment or any part thereof, or warranty with respect thereto. In no event will the Trustee be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Lease or the existence, furnishing, functioning or the City's use of the Equipment or any part thereof.

### **Deficiency of Project Fund**

If the Project Fund is insufficient to pay fully all Costs of Equipment and to complete fully the Equipment lien free, the City will pay, in cash, the full amount of any such deficiency by making payments directly to the contractors and to the suppliers of materials and services as the same becomes due. The Trustee is not obligated to pay and will not be responsible for any such deficiency, and the City will hold the Trustee whole and harmless from any obligation to pay such deficiency.

### **Impositions**

The City will bear, pay and discharge, before the delinquency thereof, as Supplemental Rent, all Impositions.

### **Contest of Impositions**

The City will have the right, in its own name or in the Trustee's name, to contest the validity or amount of any Imposition that the City is required to bear, pay and discharge pursuant to the terms of the Lease by appropriate legal proceedings instituted at least ten days before the contested Imposition becomes delinquent and may permit the Imposition so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Trustee notifies the City that, in the Opinion of Counsel, by nonpayment of any such items the interest of the Trustee in the Equipment will be endangered or the Equipment or any part thereof will be subject to loss or forfeiture, in which event the City will promptly pay such taxes, assessments or charges or provide the Trustee with full security against any loss that may result from nonpayment in form satisfactory to the Trustee. The Trustee agrees to cooperate with the City in connection with any and all administrative or judicial proceedings related to Impositions. The City will hold the Trustee whole and harmless from any costs and expenses the Trustee may incur with respect to any Imposition.

### **Insurance**

The City will, during the Lease Term, cause the Equipment to be kept continuously insured against such risks customarily insured against for facilities such as the Equipment and will pay (except as otherwise provided in the Lease), as the same become due, all premiums in respect thereof, such insurance to include the following policies of insurance:

(a) Insurance insuring the Equipment against loss or damage by fire, lightning and all other risks covered by the extended coverage insurance endorsement then in use in the State in an amount not less than the Principal Portion of the Certificates then Outstanding and issued by such insurance company or companies authorized to do business in the State as may be selected by the City. The policy or policies of such insurance will name the City and the Trustee as insureds, as their respective interests may appear. All proceeds from such policies of insurance will be applied as provided in the Lease.

(b) Comprehensive general accident and public liability insurance (including coverage for all losses whatsoever arising from the ownership, maintenance, operation or use of any automobile, truck or other motor vehicle), under which the City and the Trustee are named as insureds, in an amount not less than \$500,000 combined single limit for bodily injuries and property damage.

(c) Workers' compensation and unemployment coverages to the extent, if any, required by the laws of the State.

(d) Performance and labor and material payment bonds with respect to the Contracts in the full amount of the Contracts from surety companies qualified to do business in the State.

### **Enforcement of Contract and Surety Bonds**

In the event of material default of any contractor or subcontractor under a Contract or any other contract made in connection with the acquisition and installation of the Equipment, or in the event of a material breach of warranty with respect to any materials, workmanship or performance, the City will promptly proceed, either separately or in conjunction with others, to pursue diligently the remedies of the City against the contractor or subcontractor in default and against each surety on a bond securing the performance of such contract. Any amounts recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing, after deduction of expenses incurred in such recovery and after reimbursement to the City of any amounts theretofore paid by the City not previously reimbursed to the City for correction or remedying of the default that gave rise to the proceedings against the contractor or subcontractor or surety, will be paid to the Trustee for deposit in the Project Fund if received before the Completion Date and, if such funds are received after the Completion Date, for deposit in the Lease Revenue Fund to be used solely for the purpose of paying Basic Rent under the Lease.

### **Maintenance and Modification of Equipment by the City**

The City will at its own expense (a) keep the Equipment in a safe condition, (b) with respect to the Equipment, comply with all applicable health and safety standards and all other industrial requirements or restrictions enacted or promulgated by the State, or any political subdivision or agency thereof, or by the government of the United States of America or any agency thereof, and (c) keep the Equipment in good repair and in good operating condition and make from time to time all necessary repairs thereto and renewals and replacements thereof; provided, however, that the City will have no obligation to operate, maintain, preserve, repair, replace or renew any element or unit of the Equipment the maintenance, repair, replacement or renewal of which becomes uneconomical to the City because of damage, destruction or obsolescence, or change in economic or business conditions, or change in government standards and regulations. The City will not permit or suffer others to commit a nuisance in or about the Equipment or itself commit a nuisance in connection with its use or occupancy of the Equipment. The City will pay all costs and expenses of operation of the Equipment.

The City may, also at its own expense, make from time to time any additions, modifications or improvements to the Equipment that it may deem desirable for its business purposes and that do not

materially impair the structural strength or effective use, or materially decrease the value, of the Equipment. All additions, modifications or improvements made by the City pursuant to the authority of the Lease shall (a) be made in a workmanlike manner and in strict compliance with all laws and ordinances applicable thereto, (b) when commenced, be pursued to completion with due diligence and (c) when completed, be deemed a part of the Equipment.

During the Lease Term, the Equipment will be used by the City only for the purpose of performing essential governmental or proprietary functions of the City consistent with the permissible scope of the City's authority.

### **Damage and Destruction**

The City will bear the risk of loss with respect to the Equipment during the Lease Term. If (a) the Equipment or any portion thereof is destroyed, in whole or in part, or is damaged by fire or other casualty or (b) title to, or the temporary use of, the Equipment or any part thereof will be nonexistent or deficient or taken under the exercise or threat of the power of eminent domain by any governmental body or by any person, firm or corporation acting pursuant to governmental authority, the City will cause the Net Proceeds of any insurance claim, condemnation award or sale under threat of condemnation to be applied to the prompt replacement, repair, restoration, modification or improvement of the Equipment, unless the City has exercised its option to purchase the Trustee's interest in the Equipment by making payment of the Purchase Price as provided herein. Any balance of the Net Proceeds remaining after such work has been completed will be paid to the City and will be held and appropriated by the City for the exclusive purpose of paying Rent under the Lease.

### **Purchase Option**

The City will have the option to purchase the Trustee's interest in the Equipment, upon giving written notice to the Trustee at least 30 days before the date of purchase, at the following times and on the following terms:

(a) On or after October 15, 2020, upon payment in full of a Purchase Price equal to 100% of the remaining Principal Portions of Basic Rent for the Lease Term, plus Interest Portions of Basic Rent accrued to the prepayment date.

(b) Upon deposit of money or Government Obligations or both with the Trustee in accordance with the Declaration of Trust in the amount necessary to provide for the Basic Rent Payments until and on, and the Purchase Price calculated as described in (a) above on the Certificates, to the prepayment date, which will be on or after October 15, 2020.

### **Partial Prepayment**

The City will have the option to prepay the Basic Rent Payments in part, upon giving written notice to the Trustee at least 30 days before the date of such prepayment, at any time on or after October 15, 2020, at the Prepayment Price equal to the Principal Portion of Basic Rent being so prepaid plus the Interest Portion of Basic Rent accrued thereon to such Basic Rent Payment Date.

The Principal Portion of Basic Rent prepaid pursuant to the provisions of the Lease will be in integral multiples of \$5,000 and will be credited against such Basic Rent Payments as shall be determined by the City in its sole and absolute discretion. Upon any partial prepayment, the amount of each Interest Portion of Basic Rent coming due thereafter will be reduced by the amount of such Interest Portion

attributable to such prepaid Principal Portion determined by applying the annual interest rate corresponding to such prepaid Principal Portion as shown in the Lease.

### **Assignment and Subleasing by the City**

Except as expressly provided in the Lease, none of the City's right, title and interest in, to and under the Lease and in the Equipment may be assigned or encumbered by the City for any reason; except that the City may sublease any one or more parts of the Equipment if the City obtains an Opinion of Special Tax Counsel that such subleasing will not adversely affect the exclusion of the Interest Portion of the Basic Rent Payments from gross income for purposes of federal income taxation. Any such sublease of all or part of the Equipment will be subject to the Lease and the rights of the Trustee in, to and under the Lease and the Equipment.

### **Events of Default**

Any of the following will constitute an "Event of Default" under the Lease:

(a) Failure by the City to make any deposits required by **Section 4.01** to pay Basic Rent in the Lease Revenue Fund at the time specified herein;

(b) Failure by the City to make any Supplemental Rent Payment when due and the continuance of such failure for ten days after written notice specifying such failure and requesting that it be remedied is given to the City by the Trustee;

(c) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Lease, other than as referred to in **Sections 12.01(a)** or **(b)** above, for a period of 30 days after written notice specifying such failure and requesting that it be remedied is given to the City by the Trustee, unless the Trustee will agree in writing to an extension of such time prior to its expiration; provided that, if the failure stated in the notice cannot be corrected within the applicable period, the Trustee will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected;

(d) Any statement, representation or warranty made by the City in or pursuant to the Lease or the execution, delivery or performance of either of them proves to have been false, incorrect, misleading or breached in any material respect on the date when made;

(e) Any provision of the Lease at any time for any reason ceases to be valid and binding on the City, or is declared null and void, or the validity or enforceability thereof is contested by the City or any governmental agency or authority if the loss of such provision would materially adversely affect the rights or security of the Trustee; or

(f) The City becomes insolvent or admits in writing its inability to pay its debts as they mature or applies for, consents to, or acquiesces in the appointment of a trustee, receiver or custodian for the City or a substantial part of its property; or in the absence of such application, consent or acquiescence, a trustee, receiver or custodian for the City or a substantial part of its property; or in the absence of such application, consent or acquiescence, a trustee, receiver or custodian is appointed by the City or a substantial part of its property and is not discharged within 60 days; or any bankruptcy, reorganization, debt arrangement, moratorium or any proceeding under bankruptcy or insolvency law, or any dissolution or liquidation proceeding, is instituted by or against the State and, if instituted against the City, is consented to or acquiesced in by the City or is not dismissed within 60 days.

Failure of the City to comply with the Disclosure Certificate will not be an Event of Default under the Lease.

### **Remedies on Default**

Whenever any Event of Default exists, the Trustee will have the right, without any further demand or notice, to take one or any combination of the following remedial steps:

(a) By written notice to the City, the Trustee may declare all Rent payable by the City under the Lease to the end of the Lease Term to be due;

(b) With or without terminating the Lease, the Trustee may take possession of the Equipment (in which event the City will take all actions necessary to authorize, execute and deliver to the Trustee for the remainder of the Trustee's leasehold term all documents necessary to vest in the Trustee for the remainder of the Trustee's leasehold term all of the City's interest in the Equipment), and sell the Trustee's interest in the Equipment or lease the Equipment or, for the account of the City, sublease the Equipment, continuing to hold the City liable for the difference between (1) the Rent payable by the City under the Lease for the Lease Term, and (2) the net proceeds of any such sale, leasing or subleasing (after deducting all expenses of the Trustee in exercising its remedies under the Lease, including, without limitation, all expenses of taking possession, removing, storing, reconditioning, and selling or leasing or subleasing the Equipment and all brokerage, auctioneers and attorneys' fees and expenses);

(c) The Trustee may terminate any rights the City may have in any money held by the Trustee under the Declaration of Trust; and

(d) The Trustee may take whatever action at law or in equity necessary or desirable to enforce its rights in the Equipment and under the Lease.

**APPENDIX D**

**BOOK-ENTRY SYSTEM**

## BOOK-ENTRY SYSTEM

The Series 2015 Certificates are available in book-entry form and beneficial ownership interests therein may be purchased in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Series 2015 Certificates will not receive certificates representing their interests in the Series 2015 Certificates.

**The following information concerning The Depository Trust Company (“DTC”), New York, New York and DTC’s book-entry system has been obtained from sources the City believes to be reliable. However, the City takes no responsibility as to the accuracy or completeness thereof and neither the Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2015 Certificates. The Series 2015 Certificates will be issued as fully-registered securities 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 Certificate will be issued for each maturity of the Series 2015 Certificates, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, 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. securities 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](http://www.dtcc.com).

Purchases of Series 2015 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Certificates on DTC’s records. The ownership interest of each actual purchaser of each Series 2015 Certificate (“**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 Certificates 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 Certificates, except in the event that use of the book-entry system for the Series 2015 Certificates is discontinued.

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

Redemption proceeds, principal and interest payments on the Series 2015 Certificates 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 Trustee, on 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 securities 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, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal of or interest on the Series 2015 Certificates 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 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 depository with respect to the Series 2015 Certificates at any time by giving reasonable notice to the City or the Trustee. Under such circumstances,

in the event that a successor depository is not obtained, Series 2015 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, Series 2015 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. The City and the Underwriter take no responsibility for the accuracy thereof.

**APPENDIX E**

**FORM OF OPINION OF  
SPECIAL TAX COUNSEL**

**[FORM OF OPINION OF SPECIAL TAX COUNSEL]**

[Closing Date]

The City of Lincoln, Nebraska  
Lincoln, Nebraska

Union Bank and Trust Company, Trustee  
Lincoln, Nebraska

Robert W. Baird & Co. Incorporated  
Milwaukee, Wisconsin

Re: \$3,400,000 Certificates of Participation, Series 2015, Evidencing Proportionate Interests of the Owners in Basic Rent Payments to be Made by The City of Lincoln, Nebraska

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Ladies and Gentlemen:

We have acted as special tax counsel in connection with a transaction involving the above-captioned Certificates of Participation (the "Certificates"), evidencing proportionate interests of the owners thereof in Basic Rent Payments to be made by The City of Lincoln, Nebraska (the "City") under a Lease Purchase Agreement, dated as of the date hereof (the "Lease"), between Union Bank and Trust Company, a state banking corporation (the "Trustee"), and the City. Capitalized terms used herein and not otherwise defined herein will have the meanings assigned to such terms in the Lease.

We have examined (a) the Lease, (b) the Declaration of Trust, (c) the Compliance Agreement, (d) the Disclosure Certificate, (e) certifications of officers and officials of the City and others, and (f) the form of the Certificates. In addition, we have reviewed and considered the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable regulations thereunder promulgated by the United States Treasury Department.

In rendering the opinions set forth herein, we have assumed without undertaking to verify the same by independent investigation, (a) as to questions of fact, the accuracy of all representations of the Trustee and the City set forth in the Lease, the Declaration of Trust, the Compliance Agreement, the Disclosure Certificate and all certificates of and officials of the Trustee, the City and others examined by us, and (b) the conformity to original documents of all documents submitted to us as copies and the authenticity of such original documents and all documents submitted to us as originals.

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

1. The Declaration of Trust has been approved by the City, and the Lease, the Compliance Agreement and the Disclosure Certificate have been duly authorized, executed and delivered by the City and constitute legal, valid and binding agreements of the City, enforceable against the City in accordance with their terms.

2. The Certificates have been duly authorized, executed and delivered in accordance with the Declaration of Trust, are entitled to the benefits and security of the Declaration of Trust and evidence

interests in the right to receive Basic Rent Payments under the Lease, which right to receive Basic Rent Payments is enforceable against the City in accordance with the terms of the Certificates, the Declaration of Trust and the Lease.

3. The interest portion of each Basic Rent Payment represented by the Certificates is excluded from gross income for federal and Nebraska income tax purposes, is not an item of tax preference for purposes of 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 City comply with all requirements of the Code that must be satisfied subsequent to the execution and delivery of the Lease and the Certificates in order that the interest portions of Basic Rent Payments represented by the Certificates be, or continue to be, excluded from gross income for federal and Nebraska income tax purposes. The City has covenanted to comply with all of these requirements. Failure to comply with certain of such requirements may cause the inclusion of such interest portions of Basic Rent Payments in gross income for federal and Nebraska income tax purposes retroactive to the date of execution and delivery of the Lease. The City's obligation to pay Basic Rent Payments under the Lease has not been designated as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code.

We express no opinion regarding (a) other federal or Nebraska tax consequences arising with respect to the Basic Rent or the Certificates, (b) the treatment for federal or Nebraska income tax purposes of any money received by registered owners of the Certificates other than payments by the City made pursuant to the Lease or (c) the title to or the description of the property subject to the Lease.

The rights of the owners of the Certificates and the enforceability of the Certificates, the Declaration of Trust, the Lease, the Compliance Agreement and the Disclosure Certificate may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent applicable and their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

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,