NOTES TO THE FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

FISCAL YEAR-END

All funds of the City, with the exception of Lincoln Electric System (LES), are reported as of and for the year ended August 31, 2015. 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, 2014. The amounts included in the City's 2015 financial statements for LES are amounts as of and for the year ended December 31, 2014.

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*.

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.

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

ASSETS, LIABILITIES, AND NET POSITION OR FUND EQUITY

Deposits and Investments

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

The City may invest in certificates of deposit, in time deposits, and in any securities in which the state investment officer is authorized to invest pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act and as provided in the authorized investment guidelines of the Nebraska Investment Council in effect on the date the investment is made.

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 the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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

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:

Assets	Years
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 it's 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 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 (resolutions approved by Council and executive orders approved by the Mayor) 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 $29,828,781 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 $180,209,724 of restricted net position, of which enabling legislation restricts $17,677,143.

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.

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.

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 $23,420,925, 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 2015, the City implemented the provisions of the following accounting principles:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, An Amendment of GASB Statement No. 27*. This Statement improves the accounting and financial reporting by state and local governments for pensions. This Statement establishes standards for measuring and recognizing assets and liabilities, deferred outflows and deferred inflows of resources, and expenses. Note disclosures and required supplementary information requirements about pensions are also addressed.

Implementation of this standard required the City to record its portion of the financial statement items mentioned above in relation to the Police and Fire Pension Plan through retroactive restatement of beginning balances. Beginning net position for the governmental activities was increased $2,622,068 for the removal of the net pension obligation, previously recorded in accordance with GASB Statement No. 27. Additionally, beginning net position for the governmental activities and business-type activities was reduced $49,889,537 and $2,882,595, respectively, to record the net pension liability as of September 1, 2014.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations.* This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment, and also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of governmental operations.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

The implementation of GASB Statements No. 69 and 71 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 $575,553,740 difference are as follows:

Bonds Payable	$	450,960,813
Less issuance discounts		(992,628)
Plus issuance premiums		12,174,282
Less deferred charge on refunding		(323,577)
Capital Leases Payable		28,819,059
Accrued Interest Payable		4,762,035
Net Pension Liability		54,369,793
Deferred Outflows for Pension		(21,057,673)
Deferred Inflows for Pension		18,911,190
Net OPEB Liability		9,631,174
Compensated Absences		18,299,272
Net difference	$	575,553,740

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 $33,662,285 difference are as follows:

Capital outlay	$	70,161,868
Depreciation expense		(36,499,583)
Net difference	$	33,662,285

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 $11,580,323 difference are as follows:

Debt issued or incurred:		
Issuance of general obligation refunding bonds	$	(5,720,000)
Issuance of refunding capital lease		(3,290,000)
Issuance of certificates of participation		(3,400,000)
Issuance premiums		(435,077)
Deferred amount from issuance of refunding debt		125,619
Amortization of deferred premiums, discounts, and amounts from refundings		401,338
Transfers to bond refunding agent		9,630,000
Principal repayments		14,268,443
Net difference	$	11,580,323

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 $(2,624,771) difference are as follows:

Construction contracts	(506,548)
Accrued interest	87,671
Compensated absences	(2,005,061)
Other	26,663
Net difference	$ (2,624,771)

(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 Surplus Account and 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 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, 2015, are as follows:

Fund Account	Parking System	Solid Waste Management	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Municipal Services Center	Total
Principal and Interest	$ 201,685	-	1,644,268	469,540	15,810,000	-	18,125,493
Reserve	2,613,661	1,117,084	5,696,316	5,077,600	17,843,000	-	32,347,661
Surplus	-	-	304,762	1,927,968	-	-	2,232,730
Renewal and Replacement	2,387,434	-	-	-	-	-	2,387,434
Capital Construction and Equipment	624,130	5,265,596	-	-	-	172,376	6,062,102
Claims	-	-	-	-	1,448,000	-	1,448,000
Total	$ 5,826,910	6,382,680	7,645,346	7,475,108	35,101,000	172,376	62,603,420

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.

INVESTMENTS

At August 31, 2015, the City had the following investments, maturities and credit ratings:

	August 31, 2015						
		Maturities in Years					
						Credit Rating	
Type	Carrying Value	Less than 1	1-5	6-10	More than 10	Moody's	S&P
General City:							
U.S. Treasury Obligations	$ 29,384,860	16,316,900	13,067,960	-	-	Aaa	AA+
U.S. Sponsored Agency Obligations	363,481,560	227,757,940	114,849,108	20,874,512	-	Aaa	AA+
U.S. Sponsored Agency Obligations	1,999,860	1,999,860	-	-	-	Not rated	Not rated
Collateralized Investment Agreements	1,120,000	1,120,000	-	-	-	A3	A- (Fitch)
Commercial Issuers (Commercial Paper)	25,075,000	25,075,000	-	-	-	P1	A1
Money Market Funds - U.S. Treasury	1,797,723	1,797,723	-	-	-	Aaa-mf	AAAm
Money Market Funds - U.S. Treasury	5,150,383	5,150,383	-	-	-	Aaa-mf	Not rated
Money Market Funds - U.S. Agencies	21,282,623	21,282,623	-	-	-	Aaa	AAAm
External Investment Trust	6,950,000	6,950,000	-	-	-	Not rated	Not rated
Tax Increment Financing Investments and Inter-fund Loans	8,349,579	500,000	1,343,821	686,839	5,818,919	Not rated	Not rated
Fixed Income Mutual Funds	114,132	114,132	-	-	-	Not rated	Not rated
Equities	2,081,709	2,081,709	-	-	-	Not rated	Not rated
Complementary Strategies	83,341	83,341	-	-	-	Not rated	Not rated
Real Assets	72,140	72,140	-	-	-	Not rated	Not rated
Total General City	466,942,910	310,301,751	129,260,889	21,561,351	5,818,919		
Community Health Endowment:							
Money Market Mutual Funds	2,905,764	2,905,764	-	-	-	Not rated	Not rated
Institutional funds							
Fixed income	14,956,472	-	13,452,992	910,938	592,542	Not rated	Not rated
Intermediate term credit	158,287	-	158,287	-	-	Not rated	Not rated
Large cap equity	1,999,025	1,999,025	-	-	-	Not rated	Not rated
International equity	12,871,335	12,871,335	-	-	-	Not rated	Not rated
High-yield bonds	7,805,632	-	4,876,728	2,928,904	-	Not rated	Not rated
Emerging markets equity	1,104,966	1,104,966	-	-	-	Not rated	Not rated
Hedge funds	5,799,248	5,799,248	-	-	-	Not rated	Not rated
Mid cap equity	2,887,618	2,887,618	-	-	-	Not rated	Not rated
U.S. treasuries	3,014,998	-	3,014,998	-	-	Not rated	Not rated
Small cap equity	1,414,587	1,414,587	-	-	-	Not rated	Not rated
Commodities	1,218,615	1,218,615	-	-	-	Not rated	Not rated
Real Estate	2,808,067	2,808,067	-	-	-	Not rated	Not rated
Limited Partnership	719,423	-	719,423	-	-	Not rated	Not rated
Total Community Health Endowment:	59,664,037	33,009,225	22,222,428	3,839,842	592,542		
Police & Fire Pension Trust:							
Equities	13,140,477	13,140,477	-	-	-	Not rated	Not rated
Mutual Funds	150,190,830	150,190,830	-	-	-	Not rated	Not rated
	163,331,307	163,331,307	-	-	-		
Limited Partnership	11,428,688						
Real Estate Limited Partnerships	24,532,552						
Total Police & Fire Pension Trust	199,292,547						
Total Primary Government	$ 725,899,494						

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.

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:

	S&P	Moody's
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, 2015, 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.

Type	Portfolio Composition	Policy Limits on Issuer
U.S. agency obligations:		
Federal Home Loan Bank	33.68 %	40.00 %
Federal Home Loan Mortgage Corporation	19.27	40.00
Federal National Mortgage Association	15.91	40.00
Federal Farm Credit Bank	8.99	40.00
Federal Agricultural Mortgage Corporation	0.43	40.00

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.

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, 2015.

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, 2015.

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 consists of nine members. Two board positions shall be filled by the City Finance Director and the City Human Resources Director; two board positions shall be elected by secret ballot by the active paid police officers of the City; two board positions shall be elected by secret ballot by the active paid firefighters of the City; and three board positions shall be appointed by the Mayor, after consultation with the other six members, subject to approval by the City Council. The three appointed members shall have at least five years demonstrated experience in financial, actuarial, investment or employee benefit plan matters.

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, 2015:

Asset Class	Target Allocation
Private Equity	5.0 %
Public Equity	55.0
Hedge Fund-of-Funds	5.0
Real Estate	15.0
Fixed Income	20.0
Total	100.0 %

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. The following individual investments currently held by the Plan are greater than 5% of the Plan's fiduciary net position:

American Europacific Growth Fund	6.06 %
Oakmark International Fund 1	5.87
Vanguard Total Stock Market Index #885	24.79
Loomis Sayles Bond Institutional	6.93
Pioneer Strategic Income Class Y	7.33
Templeton Global Bond R6	6.80
Blackstone (B1F non-taxable LP)	5.21
RREEF America REIT II	7.96

Summary of Deposit and Investment Balances

Following is a reconciliation of the City's deposit and investment balances as of August 31, 2015:

	Totals
Investments	$ 725,899,494
Deposits and Cash on Hand	11,404,902
	$ 737,304,396

	Government-wide Statement of Net Assets	Fiduciary Funds Statement of Net Assets	Totals
Cash and Cash Equivalents	$ 45,417,880	3,782,713	49,200,593
Investments	385,817,254	202,534,376	588,351,630
Restricted Assets:			
Cash and Cash Equivalents	8,394,011	-	8,394,011
Investments	91,358,162	-	91,358,162
	$ 530,987,307	206,317,089	737,304,396

(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				
	General Fund	Street Construction	West Haymartket JPA	Other Funds	Total
Fund Balances:					
Nonspendable:					
Inventory	$ 400,286	490,789	-	680,863	1,571,938
Prepaid Items	258,388	25,564	270,525	921,936	1,476,413
Permanent Fund Principal	-	-	-	37,160,000	37,160,000
Total Nonspendable	658,674	516,353	270,525	38,762,799	40,208,351
Restricted For:					
Capital Improvements	2,308,902	50,520,328	7,841,025	9,458,562	70,128,817
Human Services	965,659	-	-	30,542	996,201
Donor Purposes	2,893,824	-	-	2,109,097	5,002,921
Public Improvements	506,482	-	-	-	506,482
Agency Activities	-	-	1,486,161	-	1,486,161
Land Purchases	-	-	-	1,082,563	1,082,563
Social Security Obligations	-	-	-	1,606,388	1,606,388
Community Betterment	-	-	-	4,918,006	4,918,006
Federal Loan Programs	-	-	-	17,814,000	17,814,000
Grant Programs	-	-	-	2,114,150	2,114,150
Special Assessment Improvements	-	-	-	605,410	605,410
Debt Service	-	-	-	12,026,455	12,026,455
Health Care	-	-	-	23,420,925	23,420,925
Claims Contingencies	-	-	-	865,000	865,000
Library Media	-	-	-	556,822	556,822
Total Restricted	6,674,867	50,520,328	9,327,186	76,607,920	143,130,301
Committed To:					
Public Access Television	-	-	-	1,134,624	1,134,624
Building Code Enforcement	-	-	-	876,928	876,928
Debt Service	-	-	-	1,021,894	1,021,894
Total Committed	-	-	-	3,033,446	3,033,446
Assigned To:					
Capital Improvements	-	17,677,098	-	42,922	17,720,020
Donor Purposes	777,241	-	-	-	777,241
Public Improvements	479,619	-	-	-	479,619
Athletic Facility Improvements	864,129	-	-	-	864,129
Senior Care	395,128	-	-	-	395,128
Emergency Communications	2,436,673	-	-	-	2,436,673
Economic Development Projects	5,644,344	-	-	-	5,644,344
Snow Removal	-	193,995	-	-	193,995
Debt Service	-	-	14,754,632	-	14,754,632
Land Purchases	-	-	-	27,928	27,928
Public Access Television	-	-	-	24,354	24,354
Library Services	-	-	-	3,105,660	3,105,660
Health Care	-	-	-	2,780,921	2,780,921
Social Security Obligations	-	-	-	382,644	382,644
Public Transportation	-	-	-	2,995,665	2,995,665
Community Betterment	-	-	-	74,842	74,842
Building Code Enforcement	-	-	-	6,264,674	6,264,674
Park Projects	-	-	-	148,969	148,969
Other Purposes	5,669,489	-	-	-	5,669,489
Total Assigned	16,266,623	17,871,093	14,754,632	15,848,579	64,740,927
Unassigned	37,916,609	-	-	(308,837)	37,607,772
Total Fund Balances	$ 61,516,773	68,907,774	24,352,343	133,943,907	288,720,797

(6) RECEIVABLES AND DUE FROM OTHER GOVERNMENTS

Receivables at August 31, 2015, consist of the following (in thousands):

Fund	Taxes	Accounts	Accrued Interest	Notes	Loans	Special Assessment Current	Special Assessment Deferred	Lease	Contributions	Gross Receivables	Allowance For Uncollectibles	Net
General	$ 3,212	1,769	82	-	-	-	-	-	-	5,063	-	5,063
Street Construction	-	221	105	-	-	-	-	-	-	326	-	326
West Haymarket JPA	1,486	452	146	-	-	-	-	-	-	2,084	-	2,084
Wastewater System	-	4,796	-	-	-	-	-	-	-	4,796	-	4,796
Water System	-	7,122	-	-	-	-	-	-	-	7,122	-	7,122
Electric System	-	33,128	60	-	-	-	-	-	-	33,188	1,254	31,934
Nonmajor -												
Special Revenue	1,478	280	83	110	23,372	-	-	-	-	25,323	5,558	19,765
Debt Service	1,453	-	40	-	-	629	2,210	-	-	4,332	205	4,127
Capital Projects	-	400	38	-	-	-	-	-	-	438	-	438
Permanent	-	-	2	-	-	-	-	-	-	2	-	2
Enterprise	-	4,903	37	-	-	-	-	-	-	4,940	1,730	3,210
Internal Service	-	164	73	-	-	-	-	95	-	332	-	332
Fiduciary	-	47	4	-	-	-	-	-	558	609	-	609
Total	$ 7,629	53,282	670	110	23,372	629	2,210	95	558	88,555	8,747	79,808

Enterprise funds customer accounts receivable include unbilled charges for services. Delinquent special assessment receivables at August 31, 2015, were $202,216.

The total of Due From Other Governments of $28,090,861 includes the following significant items:

Fund/Fund Type	Amount	Service
General/Major Governmental	$ 11,931,361	State of Nebraska, July/August Sales and Use Tax
	462,394	August Motor Vehicle Taxes Collected by Lancaster County
	14,073	August Property Tax Interest Collected by Lancaster County
	166,581	Federal Government, Cost Reimbursements
	29,737	State of Nebraska, Cost Reimbursements
	108,920	Lancaster County, Cost Reimbursements
Street Construction/Major Governmental	4,128,817	State of Nebraska, July/August Highway User Fees
	29,976	Lancaster County, Cost Reimbursements
	4,636,814	State of Nebraska, Cost Reimbursements
	1,199,008	Federal Government, Cost Reimbursements
West Haymarket JPA/Major Governmental	865,637	Federal Government, Cost Reimbursements
Water/Major Enterprise	124,781	State of Nebraska, Cost Reimbursements
Lincoln/Lancaster Co. Health/Special Revenue	392,154	Lancaster County, Cost Reimbursements
StarTran/Special Revenue	51,235	Federal Government, Cost Reimbursements
Federal Grants/Special Revenue	1,128,078	Federal Government, Cost Reimbursements
	504,410	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	187,215	August Special Assessments Collected by Lancaster County
Vehicle Tax/Capital Projects	1,591,378	August Motor Vehicle Taxes Collected by Lancaster County
Storm Sewer Bonds/Capital Projects	81,174	Federal Government, Cost Reimbursements
Parking System/Enterprise	11,425	State of Nebraska, Cost Reimbursements
Pinnacle Bank Arena/Enterprise	18,708	State of Nebraska Billings
Information Services/Internal Service	171,991	Lancaster County Billings
Insurance Revolving/Internal Service	12,867	Lancaster County Billings
Police Garage/Internal Service	30,101	State of Nebraska Billings
Copy Services/Internal Service	15,090	Lancaster County Billings
Subtotal	28,060,592	
All other	30,269	
Total Due From Other Governments	$ 28,090,861	

(7) CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2015, was as follows:

		Beginning Balances	Increases	Decreases	Transfers/ Reclassifications	Ending Balances
Governmental Activities:						
Capital Assets, not being Depreciated:						
Land	$	141,724,149	2,769,025	145,983	46,500	144,393,691
Construction in Progress		63,461,764	33,945,257	37,133,648	-	60,273,373
Total Capital Assets, not being Depreciated		205,185,913	36,714,282	37,279,631	46,500	204,667,064
Capital Assets, being Depreciated:						
Buildings		310,669,718	23,485,554	2,047,914	3,905,631	336,012,989
Improvements Other Than Buildings		93,795,605	12,156,208	425,336	108,137	105,634,614
Machinery and Equipment		94,702,368	9,209,350	4,416,070	206,194	99,701,842
Infrastructure		719,545,844	38,168,584	282,433	-	757,431,995
Total Capital Assets, being Depreciated		1,218,713,535	83,019,696	7,171,753	4,219,962	1,298,781,440
Less Accumulated Depreciation for:						
Buildings		42,784,638	7,319,735	2,047,915	3,898,697	51,955,155
Improvements Other Than Buildings		33,825,483	3,243,459	418,241	95,540	36,746,241
Machinery and Equipment		60,372,240	7,042,409	4,274,171	206,194	63,346,672
Infrastructure		253,310,122	21,724,886	36,191	-	274,998,817
Total Accumulated Depreciation		390,292,483	39,330,489	6,776,518	4,200,431	427,046,885
Total Capital Assets, being Depreciated, Net		828,421,052	43,689,207	395,235	19,531	871,734,555
Governmental Activities Capital Assets, Net	$	1,033,606,965	80,403,489	37,674,866	66,031	1,076,401,619

		Beginning Balances	Increases	Decreases	Transfers/ Reclassifications	Ending Balances
Business-type Activities:						
Capital Assets, not being Depreciated:						
Land	$	24,440,188	656,316	70,579	(46,500)	24,979,425
Construction in Progress		85,343,314	70,625,904	93,667,983	-	62,301,235
Total Capital Assets, not being Depreciated		109,783,502	71,282,220	93,738,562	(46,500)	87,280,660
Capital Assets, being Depreciated:						
Buildings		240,197,535	477,997	655,211	(3,912,382)	236,107,939
Improvements Other Than Buildings		672,114,750	32,198,549	93,868	(13,862,391)	690,357,040
Machinery and Equipment		35,290,563	4,201,543	908,095	13,554,812	52,138,823
Utility Plant		1,352,479,000	64,420,000	6,622,000	-	1,410,277,000
Total Capital Assets, being Depreciated		2,300,081,848	101,298,089	8,279,174	(4,219,961)	2,388,880,802
Less Accumulated Depreciation for:						
Buildings		83,928,017	5,301,550	655,211	(3,905,448)	84,668,908
Improvements Other Than Buildings		207,498,394	13,177,067	93,868	(8,397,112)	212,184,481
Machinery and Equipment		21,563,856	3,060,210	763,315	8,102,130	31,962,881
Utility Plant		572,753,000	44,182,000	10,097,000	-	606,838,000
Total Accumulated Depreciation		885,743,267	65,720,827	11,609,394	(4,200,430)	935,654,270
Total Capital Assets, being Depreciated, Net		1,414,338,581	35,577,262	(3,330,220)	(19,531)	1,453,226,532
Business-type Activities Capital Assets, Net	$	1,524,122,083	106,859,482	90,408,342	(66,031)	1,540,507,192

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:		
General Government	$	1,714,449
Public Safety		2,187,360
Streets and Highways, including Infrastructure		21,062,330
Culture and Recreation		9,172,472
Economic Opportunity		56,186
Health and Welfare		275,016
Mass Transit		2,031,770
Subtotal		36,499,583
Internal Service Funds Capital Assets Depreciation is charged to the various functions based on usage of the assets.		2,830,906
Total Depreciation Expense - Governmental	$	39,330,489
Business-type Activities:		
Golf		595,752
Parking System		2,118,953
Pershing Municipal Auditorium		8,264
Pinnacle Bank Arena		10,425
Solid Waste Management		2,066,770
Emergency Medical Services		258,802
Wastewater System		7,983,070
Water System		8,496,791
Lincoln Electric System		44,182,000
Total Depreciation Expense - Business-type	$	65,720,827

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

		Beginning Balances	Increases	Decreases	Ending Balances
Lincoln Wastewater System:					
Capital Assets, not being Depreciated:					
Land	$	6,205,956	656,188	-	6,862,144
Construction in Progress		9,228,960	11,336,664	19,085,706	1,479,918
Total Capital Assets, not being Depreciated		15,434,916	11,992,852	19,085,706	8,342,062
Capital Assets, being Depreciated:					
Buildings		79,990,077	59,246	-	80,049,323
Improvements Other Than Buildings		277,139,436	21,986,439	-	299,125,875
Machinery and Equipment		9,538,309	482,188	43,864	9,976,633
Total Capital Assets, being Depreciated		366,667,822	22,527,873	43,864	389,151,831
Less Accumulated Depreciation for:					
Buildings		28,836,698	1,822,590	-	30,659,288
Improvements Other Than Buildings		85,013,277	5,656,376	-	90,669,653
Machinery and Equipment		6,172,040	504,104	41,828	6,634,316
Total Accumulated Depreciation		120,022,015	7,983,070	41,828	127,963,257
Total Capital Assets, being Depreciated, Net		246,645,807	14,544,803	2,036	261,188,574
Wastewater System Capital Assets, Net	$	262,080,723	26,537,655	19,087,742	269,530,636

		Beginning Balances	Increases	Decreases	Transfers/ Reclassifications	Ending Balances
Lincoln Water System:						
Capital Assets, not being Depreciated:						
Land	$	5,453,772	128	62,224	-	5,391,676
Construction in Progress		4,333,124	8,548,502	6,687,277	-	6,194,349
Total Capital Assets, not being Depreciated		9,786,896	8,548,630	6,749,501	-	11,586,025
Capital Assets, being Depreciated:						
Buildings		79,793,575	173,985	-	-	79,967,560
Improvements Other Than Buildings		346,685,339	9,791,101	-	(13,754,254)	342,722,186
Machinery and Equipment		9,761,146	789,674	137,987	13,754,254	24,167,087
Total Capital Assets, being Depreciated		436,240,060	10,754,760	137,987	-	446,856,833
Less Accumulated Depreciation for:						
Buildings		27,658,498	1,593,032	-	-	29,251,530
Improvements Other Than Buildings		97,867,444	5,562,708	-	(8,301,572)	95,128,580
Machinery and Equipment		5,634,676	1,341,051	88,086	8,301,572	15,189,213
Total Accumulated Depreciation		131,160,618	8,496,791	88,086	-	139,569,323
Total Capital Assets, being Depreciated, Net		305,079,442	2,257,969	49,901	-	307,287,510
Water System Capital Assets, Net	$	314,866,338	10,806,599	6,799,402	-	318,873,535

		Beginning Balances	Increases	Decreases	Ending Balances
Lincoln Electric System:					
Capital Assets, not being Depreciated:					
Construction in Progress	$	71,680,000	50,209,000	67,895,000	53,994,000
Capital Assets, being Depreciated:					
Utility Plant		1,352,479,000	64,420,000	6,622,000	1,410,277,000
Less Accumulated Depreciation		572,753,000	44,182,000	10,097,000	606,838,000
Total Capital Assets, being Depreciated, Net		779,726,000	20,238,000	(3,475,000)	803,439,000
Electric System Capital Assets, Net	$	851,406,000	70,447,000	64,420,000	857,433,000

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 2015, capitalized interest activity was as follows:

		Incurred Interest Cost	Capitalized Interest
Lincoln Wastewater System	$	3,101,554	338,815
Lincoln Water System		2,164,645	195,441
Solid Waste Management		188,831	21,253

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 2014 was 2.7%.

(8) INTERFUND BALANCES AND ACTIVITY

Balances Due To/From Other Funds at August 31, 2015, consist of the following:

Due To	Due From						
	General Fund	Street Construction	West Haymarket JPA	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Total
General Fund	$ -	24,766	19,767	2,379,364	754,503	567,357	3,745,757
Street Construction	-	-	-	6,837,122	-	-	6,837,122
Nonmajor Governmental	-	-	-	1,225,814	10,000	-	1,235,814
Lincoln Wastewater System	-	-	-	471,019	-	-	471,019
Lincoln Water System	-	-	-	2,462,771	-	-	2,462,771
Nonmajor Enterprise	829	13,860	892,029	21	-	-	906,739
Internal Service	903,027	303,600	-	125,149	14,697	17,834	1,364,307
Total	$ 903,856	342,226	911,796	13,501,260	779,200	585,191	17,023,529

"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.

Transfers To/From Other Funds for the year ended August 31, 2015, consist of the following:

Transfer To	Transfer From							
	General Fund	Street Construction	West Haymarket JPA	Nonmajor Governmental	Lincoln Electric System	Nonmajor Enterprise	Internal Service	Total
General Fund	$ -	-	-	512,764	9,130,648	1,639,818	-	11,283,230
Street Construction	2,221,867	-	300,798	18,205,079	-	16,366	90,000	20,834,110
Nonmajor Governmental	19,623,477	5,071,021	453,466	5,679,189	-	1,346,902	55,914	32,229,969
Nonmajor Enterprise	-	-	203,420	86,188	-	89,383	-	378,991
Internal Service	48,627	600,000	-	614,686	-	-	-	1,263,313
Total	$ 21,893,971	5,671,021	957,684	25,097,906	9,130,648	3,092,469	145,914	65,989,613

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 $160,648 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.

(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, 2014, LES had $95.5 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, 2014, was 0.09%. 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 2014 was 67 days.

Commercial paper activity for the year ended December 31, 2014, is as follows:

Lincoln Electric System:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Commercial Paper Notes	$ 64,500,000	495,500,000	(464,500,000)	95,500,000	95,500,000

In December 2014, LES entered into a revolving credit agreement with Wells Fargo Bank, National Association. The agreement permits LES to draw up to $50 million on a floating rate basis. No advances were outstanding under the agreement at December 31, 2014. The agreement also provides for Wells Fargo to issue one or more letters of credit for the aggregate undrawn amount, not to exceed $10 million in the aggregate. LES is intending to use $5 million of the revolving credit agreement to provide a letter of credit to Southwest Power Pool (SPP) to satisfy its market deposit requirements. With this agreement in place, a cash deposit of $1.8 million that LES made with SPP in 2014 will be returned to LES.

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 $4,031,014, $3,935,372, $3,131,154, and $1,950,809 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	25,937,597	1,646,732
Improvements	593,409	-
Infrastructure	21,172,814	-
Machinery and Equipment	6,120,540	3,245,696
Construction in Progress	-	-
Less Accumulated Depreciation, (where applicable)	(12,508,879)	(2,724,854)
Total	$ 43,089,931	$ 2,377,574

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, Series 2013, to advance refund $53,710,000 of Revenue and Refunding Bonds, Series 2005 and redeem $24,000,000 of outstanding commercial paper notes. The net proceeds of the refunding bonds were used to purchase U.S. government securities. Those securities 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 was considered defeased and the liability for those bonds was removed from the financial statements. The advance refunding resulted in debt service savings of approximately $36,605,000 and net present value savings of approximately $12,726,000. At December 31, 2014, there are $115.0 million of refunded Series 2005 bonds outstanding.

In April 2015, the City issued $5,720,000 of general obligation storm sewer refunding bonds to advance refund $6,340,000 of series 2005 bonds. The net proceeds of the refunding bonds 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 a cash flow differential of $1,184,897, and a net present value savings of $653,236.

In April 2015, the Lincoln Wastewater System issued $12,220,000 of refunding bonds to advance refund $13,320,000 of series 2005 bonds. The net proceeds of the refunding bonds 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 reduced total debt service payments over the next 15 years by $2,376,871 for an economic gain of $1,304,075.

Lincoln Wastewater System has entered into a loan agreement with the Nebraska Department of Environmental Quality (NDEQ) consisting of three 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 borrowed $17,000,000 under contract 317830 to fund certain wastewater solids handling, trunk sewer, and selected facility replacement improvements. The interest rate throughout the term of the loan is 3.25%. All contracts are final as of the year ended August 31, 2015.

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, 2015, project costs were incurred totaling $916,660, resulting in the recognition of a project loan payable of $14,111,487, which is shown net of $818,300 of principal repayments. The remaining available funds totaling $70,213, are not reflected in the financial statements.

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

Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
Governmental Activities:							
General Obligation Bonds:							
General Bonds:							
$ 8,295	06/27/07	Stormwater Drainage and Flood Mgmt	4.625 - 5.000	Serial 2008 to 2027	2017	Semiannually	$ 5,860
8,200	02/10/11	Stormwater Bonds	2.000 - 4.500	Serial 2013 to 2030	2020	"	7,100
19,290	06/21/11	Refunding	0.200 - 5.000	Serial 2011 to 2022	2019	"	12,315
8,090	06/26/12	Refunding	1.000 - 3.000	Serial 2013 to 2023	---	"	5,255
6,385	03/20/13	Stormwater Bonds	2.000 - 4.000	Serial 2014 to 2029	2023	"	6,035
1,515	03/20/13	Stormwater Bonds	3.125	Term 2032	2023	"	1,515
5,720	04/15/15	Stormwater Refunding Bonds	1.000 - 5.000	Serial 2016 to 2025	---	"	5,720
	Total General Bonds						$ 43,800
Tax Allocation Bonds:							
$ 5,500	04/21/04	Tax Allocation Bonds	3.000 - 4.800	Serial 2004 to 2015	2010	Semiannually	$ 875
365	08/15/05	Tax Allocation Bonds	4.750	Serial 2006 to 2018	Anytime	"	91
288	10/01/06	Tax Allocation Bonds	5.100	Serial 2008 to 2016	Anytime	"	52
2,205	04/05/07	Tax Allocation Bonds	5.000 - 5.550	Serial 2009 to 2018	2012	"	1,020
601	06/01/07	Tax Allocation Bonds	5.240	Serial 2008 to 2018	Anytime	"	492
42	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2021	Anytime	"	24
71	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2017	Anytime	"	42
474	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2022	Anytime	"	109
547	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	324
200	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	115
611	06/30/09	Tax Allocation Bonds	7.000	Serial 2011 to 2023	Anytime	"	511
3,375	07/28/09	Tax Allocation Bonds	2.500 - 6.400	Serial 2011 to 2023	Anytime	"	2,540
263	04/01/11	Tax Allocation Bonds	3.990	Serial 2011 to 2022	Anytime	"	182
103	04/15/13	Tax Allocation Bonds	2.370	Serial 2013 to 2025	Anytime	"	84
	Total Tax Allocation Bonds						$ 6,461
Tax Supported Bonds:							
$ 27,000	12/05/06	Highway Allocation Fund	4.000 - 5.000	Serial 2008 to 2027	2016	Semiannually	$ 18,655
28,095	06/06/12	Highway Allocation Fund Refunding	1.000 - 5.000	Serial 2012 to 2023	---	"	23,045
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						$ 66,700
Special Assessment Bonds:							
$ 825	08/18/11	Special Assessment	0.400 - 3.700	Serial 2012 to 2026	2016	Semiannually	$ 625
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	"	2,490
	Total Special Assessment Bonds						$ 3,490
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	"	20,310
7,325	12/04/13	Facility Bonds	4.500	Term 2043	2023	"	7,325
	Total West Haymarket Joint Public Agency						$ 327,635
	TOTAL GENERAL OBLIGATION BONDS						$ 448,086
Tax Supported Bonds:							
$ 11,080	3/13/02	Antelope Valley Project	1.500 - 5.000	Serial 2002 to 2016	2012	Semiannually	$ 2,875

Amount	Issued	Issue	Rate	When Due	Callable	Date	Outstanding
Business-Type Activities:							
Revenue Bonds:							
$ 16,710	04/18/07	Wastewater Revenue	4.000 - 4.500	Serial 2008 to 2029	2017	Semiannually	$ 12,340
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	"	32,205
12,220	04/09/15	Wastewater Revenue Refunding	1.000 - 4.000	Serial 2016 to 2030	2025	"	12,220
	Total Wastewater Bonds						$ 60,515
$ 10,515	08/04/09	Water Revenue	2.000 - 4.125	Serial 2013 to 2029	2019	Semiannually	$ 9,085
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	---	"	7,820
28,595	05/30/13	Water Revenue Refunding	1.000 - 5.000	Serial 2014 to 2025	2023	"	23,855
	Total Water Bonds						$ 45,665
$ 7,745	01/27/11	Parking Revenue and Refunding	2.000 - 5.000	Serial 2015 to 2024	2021	Semiannually	$ 7,200
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	"	7,205
2,765	11/29/12	Parking Revenue and Refunding	3.000	Term 2032	2022	"	2,765
	Total Parking Bonds						$ 27,945
$ 8,340	02/26/13	Solid Waste Management Revenue and Refunding	0.250 - 4.000	Serial 2013 to 2029	2023	Semiannually	$ 6,765
5,520	07/08/15	Solid Waste Management Revenue	2.000 - 5.000	Serial 2016 to 2035	2025	"	5,520
							$ 12,285
$ 93,045	10/01/03	Electric Revenue and Refunding Bonds	3.000 - 5.000	Serial 2004 to 2026	2013	Semiannually	$ 2,930
183,230	05/15/07	Electric Revenue and Refunding Bonds	4.000 - 5.000	Serial 2009 to 2035	2016	"	159,555
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	"	222,355
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						$ 572,380
	TOTAL REVENUE BONDS						$ 718,790

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
2016	$ 11,395	20,593	855	122	6,219	1,124
2017	10,525	20,234	2,020	51	4,890	972
2018	10,747	19,883	-	-	4,235	845
2019	10,554	19,510	-	-	3,967	737
2020	10,610	19,135	-	-	3,657	636
2021 - 2025	83,264	86,428	-	-	14,840	1,687
2026 - 2030	70,046	69,772	-	-	3,028	142
2031 - 2035	71,980	54,033	-	-	153	3
2036 - 2040	79,750	35,421	-	-	-	-
2041 - 2045	77,505	13,375	-	-	-	-
2046	11,710	344	-	-	-	-
Total	$ 448,086	358,728	2,875	173	40,989	6,146

Fiscal Year Ended August 31	Business-Type Activities					
	Revenue Bonds		Loans/Note Payable		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 31,325	30,775	1,859	928	346	29
2017	33,355	29,480	1,897	890	352	23
2018	34,735	28,046	1,939	847	202	17
2019	36,180	26,525	1,983	804	155	13
2020	37,790	24,899	2,027	760	160	10
2021 - 2025	208,695	98,524	10,443	3,081	325	9
2026 - 2030	150,405	57,927	11,145	1,777	-	-
2031 - 2035	106,825	29,669	7,426	391	-	-
2036 - 2038	79,480	8,238	-	-	-	-
Total	$ 718,790	334,083	38,719	9,478	1,540	101

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
2016	$ 4,562	2,690	4,307	2,101	22,050	25,382
2017	4,762	2,470	4,375	2,022	23,800	24,398
2018	4,840	2,371	4,490	1,878	24,990	23,208
2019	4,918	2,265	4,614	1,731	26,240	21,958
2020	5,027	2,151	4,775	1,556	27,550	20,646
2021 - 2025	27,483	8,271	21,621	5,174	158,170	82,816
2026 - 2030	25,302	3,297	8,223	2,361	114,620	51,335
2031 - 2035	6,628	338	7,372	685	95,480	28,704
2036 - 2038	-	-	-	-	79,480	8,238
Total	$ 83,522	23,853	59,777	17,508	572,380	286,685

Long-term liability activity for the year ended August 31, 2015, was as follows (in thousands of dollars):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and Leases Payable:					
General Bonds	$ 48,775	5,720	(10,695)	43,800	4,730
Tax Allocation Bonds	7,976	-	(1,515)	6,461	1,635
Tax Supported Bonds	69,975	-	(3,275)	66,700	4,315
Special Assessment Debt with Government Commitment	3,665	-	(175)	3,490	175
West Haymarket Joint Public Agency Bonds	328,175	-	(540)	327,635	540
Tax Supported Antelope Valley Project Bonds	3,690	-	(815)	2,875	855
Capital Leases	43,731	6,690	(9,432)	40,989	6,219
Gross Bonds and Leases Payable	505,987	12,410	(26,447)	491,950	18,469
Deferred Amounts:					
For Issuance Premiums	12,782	435	(584)	12,633	27
For Issuance Discounts	(1,000)	-	7	(993)	-
Net Bonds and Leases Payable	517,769	12,845	(27,024)	503,590	18,496
Other Liabilities:					
Compensated Absences	17,949	10,417	(8,338)	20,028	8,671
Construction Contracts	4,342	880	(374)	4,848	-
Claims and Judgements	10,221	29,834	(29,004)	11,051	4,773
Net Pension Liability	49,890	4,480	-	54,370	-
Net OPEB Obligation	8,769	1,322	-	10,091	-
Governmental Activities Long-Term Liabilities	$ 608,940	59,778	(64,740)	603,978	31,940
Business-Type Activities:					
Bonds, Loans, Note, and Leases Payable:					
Wastewater Revenue Bonds	$ 64,325	12,220	(16,030)	60,515	3,470
Wastewater Loan Payable	22,106	1,938	(1,037)	23,007	1,092
Water Revenue Bonds	49,375	-	(3,710)	45,665	3,740
Water Loan Payable	13,775	917	(580)	14,112	567
Electric System Revenue Bonds	593,440	-	(21,060)	572,380	22,050
Parking Revenue Bonds	29,205	-	(1,260)	27,945	1,290
Solid Waste Management Revenue Bonds	7,315	5,520	(550)	12,285	775
Pinnacle Bank Arena Note	1,800	-	(200)	1,600	200
Capital Leases	1,939	-	(399)	1,540	346
Gross Bonds, Loans, Note, and Leases Payable	783,280	20,595	(44,826)	759,049	33,530
Deferred Amounts:					
For Issuance Premiums	50,216	896	(4,812)	46,300	-
For Issuance Discounts	(61)	-	3	(58)	-
Net Bonds, Loans, Note, and Leases Payable	833,435	21,491	(49,635)	805,291	33,530
Other Liabilities:					
Compensated Absences	2,258	1,491	(1,344)	2,405	1,413
Construction Contracts	6,015	2,955	(5,813)	3,157	2,956
Claims and Judgements	1,659	5,895	(6,041)	1,513	1,017
Net Pension Liability	2,883	486	-	3,369	-
Net OPEB Obligation	1,340	202	-	1,542	-
Accrued Landfill Closure/Postclosure Care Costs	16,706	903	(35)	17,574	-
Business-Type Activities Long-Term Liabilities	$ 864,296	33,423	(62,868)	834,851	38,916

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 personnel 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 liability 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 personnel insurance costs are incurred.

Long-term liability activity for the major enterprise funds for the year ended August 31, 2015, was as follows (in thousands of dollars):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lincoln Wastewater System:					
Bonds and Loans Payable:					
Wastwater Revenue Bonds	$ 64,325	12,220	(16,030)	60,515	3,470
Wastewater Loans Payable	22,106	1,938	(1,037)	23,007	1,092
Deferred for Issuance Premiums	3,506	593	(460)	3,639	-
Deferred for Issuance Discounts	(8)	-	-	(8)	-
Net Bonds and Loans Payable	89,929	14,751	(17,527)	87,153	4,562
Other Liabilities:					
Compensated Absences	667	433	(384)	716	392
Construction Contracts	3,373	1,133	(3,255)	1,251	1,134
Net OPEB Obligation	229	35	-	264	-
Total Long-Term Liabilities	$ 94,198	16,352	(21,166)	89,384	6,088
Lincoln Water System:					
Bonds and Loan Payable:					
Water Revenue Bonds	$ 49,375	-	(3,710)	45,665	3,740
Water Loan Payable	13,775	917	(580)	14,112	567
Deferred for Issuance Premiums	3,293	-	(330)	2,963	-
Deferred for Issuance Discounts	(28)	-	1	(27)	-
Net Bonds and Loan Payable	66,415	917	(4,619)	62,713	4,307
Other Liabilities:					
Compensated Absences	976	523	(483)	1,016	502
Construction Contracts	2,642	1,822	(2,558)	1,906	1,822
Net OPEB Obligation	356	54	-	410	-
Total Long-Term Liabilities	$ 70,389	3,316	(7,660)	66,045	6,631
Lincoln Electric System:					
Bonds Payable:					
Electric System Revenue Bonds	$ 593,440	-	(21,060)	572,380	22,050
Deferred for Issuance Premiums	42,643	-	(3,966)	38,677	-
Net Bonds Payable	636,083	-	(25,026)	611,057	22,050
Other Liabilities:					
Claims and Judgements	1,659	5,895	(6,041)	1,513	1,017
Total Long-Term Liabilities	$ 637,742	5,895	(31,067)	612,570	23,067

DEVELOPER PURCHASED TAX INCREMENT FINANCING NOTES AND BONDS

At August 31, 2015, $35,711,987 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

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, 2015, $17,600,000 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, 2015, which discloses the nature and amount of the adjustments necessary to convert the actual GAAP data to the budgetary basis, is presented below:

	General Fund	Street Construction Fund
Net Change in Fund Balances:		
Balance on a GAAP basis	$ 4,052,390	(5,442,601)
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.	(1,397,627)	(544,896)
Perspective differences occur when the structure used for budgeting differs from the fund structure used for financial reporting.	(1,086,266)	-
Amount budgeted on a project basis.	-	34,125,058
Balance on a budget basis	$ 1,568,497	28,137,561

(11) DEFICIT NET POSITION

The following funds had a net position or fund balance deficit as of August 31, 2015:

Special Revenue - Impact Fees Fund	$ (130,824)
Enterprise - Pinnacle Bank Arena Fund	(1,507,231)
Enterprise - Emergency Medical Services Fund	(115,313)
Internal Service - Engineering Revolving Fund	(1,569,518)
Internal Service - Copy Services Fund	(58,886)

- 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 Emergency Medical Services deficit is expected to be reduced through future emergency ambulance service fee 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 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		
Traffic Engineering	$	119,827
Street Lighting		1,751,837
Debt Service		78,950

(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 Pension Plan (PFP) 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 – PFP is a single-employer defined benefit pension plan administered by the City of Lincoln for all commissioned police and firefighters. PFP provides retirement, disability, and death benefits to plan members and beneficiaries. The City does not issue a separate report that includes financial statements and required supplementary information for PFP.

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.
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:

Years of Service (YOS)	Plan A	Plan B	Plan C
$5 \leq$ YOS < 10	23%	23%	21%
$10 \leq$ 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 - *M*onthly benefit may continue to surviving spouse or non-spouse beneficiary, and is dependent on form of payment.

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, 2015 is $27,167,188.

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, 2015 is $5,576,567.

Membership of the pension plan consisted of the following at August 31, 2015, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	486
Terminated plan members entitled to but not yet receiving benefits	28
Active plan members (non-DROP)	576
DROP members	42
Total	1,132
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 an actuarially determined amount; the contribution amount for fiscal year 2015 was $8,418,199. For the fiscal year ended August 31, 2015, the Plan received $8,045,293 in employer contributions.

Actuarial Methods and Assumptions – The annual required contribution for the current year was determined as part of the August 31, 2013, 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.

Net Pension Liability

The components of the net pension liability of the PFP at August 31, 2015, were as follows:

Total pension liability	$ 261,733,723
Plan fiduciary net position	(203,995,271)
Net pension liability	$ 57,738,452
Plan fiduciary net position as a percentage of the total pension liability	77.94%

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	August 31, 2015
Measurement date	August 31, 2015

Assumptions

The total pension liability as of August 31, 2015, was determined by an actuarial valuation performed as of August 31, 2015, using the following key actuarial assumptions:

Price inflation	2.50%
Salary increases, including wage inflation	3.50% to 7.30%
Long-term Rate of Return, net of investment expense, including price inflation	7.50%
Single Equivalent Interest Rate, net of investment expense, including price inflation	7.50%
Post-retirement adjustment	COLA benefit payments are assumed to increase 2.50% each year.
Mortality	Mortality rates are based on the RP-2000 Mortality Tables for Employees, Healthly Annuitants, and Disabled Retirees with Generational Projection using Scale AA.

The actuarial assumptions that determined the total pension liability as of August 31, 2015 (with the exception of the investment return assumption) were based on the results of the most recent actuarial experience study for the five-year period ending August 31, 2014.

Discount Rate

The discount rate used to measure the total pension liability at August 31, 2015 was 7.50%. This is an increase from 6.75% as of the prior measurement date.

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. Projected future benefit payments for all current pension members were projected through 2114.

Long-Term Rate of Return – The long-term expected rate of return on pension plan investments is generally reviewed on a regular basis as part of an experience study. The 7.50% long-term assumed rate of return for the current measurement date was actuarially developed. Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class, were developed by investment consultants. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Private Equity	5.0 %	10.90 %
Public Equity	55.0	7.31
Hedge Fund-of-Funds	5.0	3.82
Real Estate	15.0	2.75
Fixed Income	20.0	1.32
	100.0 %	

* Arithmetic mean, net of investment expense.

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 7.50%, 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 (6.50%) or 1 percentage point higher (8.50%) than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net pension liabiity	$ 89,779,732	57,738,452	30,804,637

Rate of Return - For the year ended August 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -3.52 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

PFP financial statements are prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred. Employee and employer contributions are recognized in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the plan terms.

Investments as reported in the financial statements include long-term investments. Law or legal instruments may restrict these investments. All investments are stated at fair value based on quoted market prices. For investments where no readily ascertainable fair value exists, management has received an estimate of fair value from the investment fund manager based, in part, on real estate appraisals.

There have been no changes since the measurement date that would materially alter the pension plan financial report.

Changes in the Net Pension Liability

		Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at August 31, 2014	$	266,114,947	213,342,815	52,772,132
Changes for the year:				
Service cost at end of year		7,929,376	-	7,929,376
Interest on TPL		17,507,641	-	17,507,641
Difference between expected and actual experience		7,390,055	-	7,390,055
Assumption changes		(23,499,491)	-	(23,499,491)
Employer contributions		-	8,045,293	(8,045,293)
Employee contributions		-	2,604,101	(2,604,101)
Net investment income		-	(5,843,555)	5,843,555
Benefit payments, including member refunds		(13,708,805)	(13,708,805)	-
Administrative expenses		-	(444,578)	444,578
Net changes		(4,381,224)	(9,347,544)	4,966,320
Balances at August 31, 2015	$	261,733,723	203,995,271	57,738,452

Deferred Outflows and Inflows of Resources

Deferred Outflows of Resources
As of August 31

		2014	Additions	Recognition	2015
Differences between expected and actual experience	$	-	7,390,055	1,129,978	6,260,077
Differences between projeced and actual earnings		-	20,127,866	4,025,573	16,102,293
Change in EMS' proportion of the collective net pension liability since the prior measurement date		-	196,312	30,017	166,295
	$	-	27,714,233	5,185,568	22,528,665

Deferred Inflows of Resources
As of August 31

		2014	Additions	Recognition	2015
Changes of assumptions	$	-	23,499,491	3,593,194	19,906,297
Change in the City's proportion of the collective net pension liability since the prior measurement date		-	196,312	30,017	166,295
Total	$	-	23,695,803	3,623,211	20,072,592

Amounts reported as Deferred Outflows and Inflows of Resources related to pensions will be recognized in pension expense in future fiscal years as follows:

Fiscal Year Ending August 31	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	$ 5,185,568	(3,623,211)
2017	5,185,568	(3,623,211)
2018	5,185,568	(3,623,211)
2019	5,185,569	(3,623,211)
2020	1,159,995	(3,623,211)
Thereafter	626,397	(1,956,537)
	$ 22,528,665	(20,072,592)

Pension Expense

The calculation of the pension expense for the year ended August 31, 2015 is shown below:

Pension Expense
For the Fiscal Year Ended August 31, 2015

Service cost at end of year	$ 7,929,376
Interest on the total pension liability	17,507,641
Expensed portion of current-period difference between expected and actual experience in the total pension liability	1,129,978
Expensed portion of current-period assumption changes	(3,593,194)
Employee contributions	(2,604,101)
Projected earnings on plan investments	(14,284,311)
Expensed portion of current-period differnces between projected and actual earnings on plan investments	4,025,573
Administrative expenses	444,578
Total Pension Expense	$ 10,555,540

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. Effective December 1, 2014, LES made available to its participants a Roth 401(k) option. 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, 2014, LES incurred contribution expense of approximately $3,822,000 or 9.65% of covered payroll and its employees contributed approximately $2,748,000 or 6.94% 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, 2014, was $1,827,339. City contributions totaled $196,885 or 10.77% of covered payroll and employee contributions totaled $17,306 or .95% of covered payroll. There were no voluntary employee contributions made for the year ended December 31, 2014.

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, 2014, total payroll was approximately $81,855,000 and covered payroll was approximately $71,264,000. The City incurred contribution expense totaling $7,875,748, which included a reduction in expense of $214,588 for employee forfeitures. Employer contributions were 11.05% of covered payroll and employee contributions totaled $4,178,088 or 5.86% of covered payroll. Employees made $138,832 in voluntary contributions for the year ended December 31, 2014.

(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, 2015, was calculated as follows:
(Dollar amounts in thousands)

Annual required contribution	$ 2,283
Interest on net OPEB obligation	455
Adjustment to annual required contribution	(594)
Annual OPEB cost	2,144
Contributions made	(619)
Increase in net OPEB obligation	1,525
Net OPEB obligation-beginning	10,112
Net OPEB obligation-ending	$ 11,637

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

Year Ended August 31	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$ 2,144,000	28.9 %	$ 11,637,000
2014	2,142,000	28.9	10,112,000
2013	3,011,000	23.4	8,589,000

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 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 $1,264,000.

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 2014 tax levy, for the 2014-2015 fiscal year, was $127,141,801 below the legal limit, with a tax rate per $100 valuation of $0.3196. The assessed value upon which the 2014 levy was based was $17,380,126,373.

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 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 2014-2015 are recorded as revenue in the fund financial statements when expected to be collected within 60 days after August 31, 2015. 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, 2015, 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 $75,000 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 $11,051,105 were recorded at August 31, 2015, which do not include claims relating to Lincoln Electric System's self-funded health and dental insurance programs. Excluding medical care claims approximating $2,654,000, 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 expenses regardless of their allocation to specific claims. These liabilities have been discounted using a .45% 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, 2015 and 2014:

2015	Worker's Compensation and Others	Long-Term Disability	Health and Dental	Total
Balance at September 1	$ 7,146,000	947,531	2,127,558	10,221,089
Current year claims and changes in estimates	3,080,824	113,635	26,639,205	29,833,664
Claims payments	(2,812,824)	(78,051)	(26,112,773)	(29,003,648)
Balance at August 31	$ 7,414,000	983,115	2,653,990	11,051,105

2014	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	$ 7,146,000	947,531	2,127,558	10,221,089

LINCOLN ELECTRIC SYSTEM

LES has self-funded health and dental insurance programs with claims processed by a third party administrator on behalf of the utility. As part of the health 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:

		2014	2013
Balance beginning of year	$	1,659,000	1,083,000
Claims accrued		5,895,000	5,729,000
Claims paid/other		(6,041,000)	(5,153,000)
Balance end of year	$	1,513,000	1,659,000

As required by state statute, LES maintains an incurred but not reported claims reserve which is actuarially determined, the balance of which was $496,000 and $459,000 at December 31, 2014 and 2013, 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 that 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, 2015, approximately 96% of the full-time, regular City's employees are represented by a Union. Most existing union contracts expire in August 2016. 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.

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 $22,700,000 as of August 31, 2015, which will be financed primarily through highway user fees, bond proceeds, federal and state grants, and developer contributions.

WEST HAYMARKET JOINT PUBLIC AGENCY

In connection with the West Haymarket Development Project, the Agency is involved with the clean-up and remediation of several development sites relating to soil and groundwater contamination. This clean-up and remediation is performed as sites are developed, as the Agency has not been designated as a potentially responsible party (PRP or equivalent status) by any regulatory agency requiring the immediate clean-up of impacted areas. Although future costs may be incurred, it is not possible at this time to reasonably estimate the amount of any obligation for remediation activities because of uncertainties with respect to assessing the extent if the contamination or the applicable regulatory requirements. No liability has been recorded for potential future remediation activities as of August 31, 2015.

LINCOLN WASTEWATER SYSTEM

The Lincoln Wastewater System has commitments under major construction contracts in progress of approximately $2,200,000 as of August 31, 2015.

LINCOLN WATER SYSTEM

The Lincoln Water System has commitments under major construction contracts in progress of approximately $3,200,000 as of August 31, 2015.

LINCOLN ELECTRIC SYSTEM

LES has participating interests in the output of two existing NPPD power plants, a thirty percent (65 MW) and eight percent (109 MW) entitlement to the output of the Sheldon Station Power Plant (nominally rated 215 MW coal plant) and Gerald Gentleman Station Power Plant (nominally rated 1,365 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 the regulated operations provisions of 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 $16,300,000, $16,700,000, $17,100,000, $17,400,000, and $17,800,000, respectively, in each of the five years subsequent to December 31, 2014.

Through the participation contracts LES may be required to pay costs associated with compliance with environmental regulations.

LES also participates in four wind plants; Laredo Ridge (10 MW), Broken Bow (10 MW), Elkhorn Ridge (6 MW) and Crofton Bluffs (3 MW), through Power Sales Agreements with Nebraska Public Power District (NPPD). NPPD has a Power Purchase Agreement with the wind plant developer/owner. LES only pays for energy received.

LES has commitments under long-term contracts for the physical purchase of natural gas. Contract commitments are based on LES' gas procurement strategy.

(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, 2015, the City had incurred a liability of approximately $12,553,000 for the municipal solid waste landfill which represents the amount of costs reported to date based on the approximately 57% of landfill capacity used to date. The remaining estimated liability for these costs is approximately $9.6 million, which will be recognized as the remaining capacity is used (estimated to be approximately 19 years).

As of August 31, 2015, the City had incurred a liability of approximately $843,000 for the construction and demolition debris landfill which represents the amount of costs reported to date based on the approximately 62% of landfill capacity used to date. The remaining estimated liability for these costs is approximately $525,000, which will be recognized as the remaining capacity is used (estimated to be approximately 14 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, 2015, a liability for closure and postclosure care costs is recorded in the amount of approximately $4,178,000, 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.

(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, 2015, is presented as follows:

		Parking Facilities	Solid Waste Management
CONDENSED STATEMENT OF NET POSITION			
Assets:			
Current Assets, excluding Due from Other Funds	$	3,415,861	4,144,987
Due from Other Funds		11,369	14,711
Other Assets		8,224,269	8,266,892
Capital Assets		60,213,567	26,967,732
Total Assets		71,865,066	39,394,322
Deferred Outflows of Resources		-	31,736
Liabilities:			
Current Liabilities, excluding Due to Other Funds		3,172,040	1,400,859
Due to Other Funds		7,633	3,564
Noncurrent Liabilities		26,925,177	29,975,653
Total Liabilities		30,104,850	31,380,076
Net Position:			
Net Investment in Capital Assets		34,465,523	20,261,928
Restricted		3,175,525	-
Unrestricted		4,119,168	(12,215,946)
Total Net Position	$	41,760,216	8,045,982
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION			
Operating Revenues	$	10,370,095	7,221,815
Depreciation Expense		(2,115,726)	(2,066,770)
Other Operating Expenses		(4,577,437)	(7,141,507)
Operating Income (Loss)		3,676,932	(1,986,462)
Nonoperating Revenues (Expenses):			
Investment Earnings		49,257	20,187
Loss on Disposal of Capital Assets		-	6,539
Insurance Recovery		-	973
Occupation Tax		-	2,832,539
Debt Issuance Expense		-	(129,524)
Interest Expense and Fiscal Charges		(1,130,730)	(167,578)
Capital Contributions		-	1,953,763
Transfers		(1,453,838)	(1,246,016)
Change in Net Position		1,141,621	1,284,421
Beginning Net Position		40,618,595	6,761,561
Ending Net Position	$	41,760,216	8,045,982
CONDENSED STATEMENT OF CASH FLOWS			
Net Cash Provided (Used) by:			
Operating Activitites	$	5,972,351	902,873
Noncapital Financing Activities		(1,431,033)	1,630,380
Capital and Related Financing Activities		(3,156,504)	3,337,010
Investing Activities		(1,769,611)	(5,982,718)
Net Decrease in Cash		(384,797)	(112,455)
Beginning Balance		3,486,196	464,147
Ending Balance	$	3,101,399	351,692

(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 $107,374,485, with annual payments expected to require 47% of net revenues. Principal and interest paid for the current year and net system revenues were $6,861,802 and $14,485,305, 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 $77,284,078, with annual payments expected to require 37% of net revenues. Principal and interest paid for the current year and net system revenues were $6,406,562 and $17,526,817, 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 $859,065,000, with annual payments expected to require 50% of net revenues. Principal and interest paid for the current year and net system revenues were $47,431,000 and $94,860,000, 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 $39,629,054, with annual payments expected to require 45% of net revenues. Principal and interest paid for the current year and net system revenues were $2,408,265 and $5,841,915, 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 2035. The total principal and interest remaining to be paid on the bonds is $16,102,987, with annual payments expected to require 40% of net revenues. Principal and interest paid for the current year and net system revenues were $746,202 and $2,555,018 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

actual valuation of taxable property in the County. For the year ended August 31, 2015, the City made rental payments of approximately $3.0 million to the Commission.

As of August 31, 2015, the Commission has debt outstanding of $29,100,846. 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, 2015, total assets of JAVA are approximately $200 million. The City's equity interest in the Project is approximately $166 million.

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

(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, 1,710 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 $20.1 million are reflected in utility plant at December 31, 2014.

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 was $1.2 million at December 31, 2014.

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 2014, LES billed the County approximately $3.4 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 (WSEC4)

MidAmerican Energy's Walter Scott Energy Center includes four coal-fired units. LES maintains ownership interest in 12.66% or 103 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 53 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 WSEC4 of approximately $142 million are reflected in utility plant at December 31, 2014.

(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 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 $906,000 in 2014. The total amount of payments to LES for energy was approximately $555,000 in 2014.

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. NUCorp is considered a component unit of the University of Nebraska; therefore, financial statements of NUCorp are included in the University of Nebraska's financial statements.

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 $87,000 in 2014. The total amount of payments to LES for energy was approximately $9.6 million in 2014.

(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.

In March 2015, LES issued $167,800,000 of Revenue and Refunding Bonds, Series 2015A, to advance refund approximately $100 million of Revenue and Refunding Bonds, Series 2007A and Series 2007B, and to reimburse LES for approximately $66 million of prior capital improvements.