



**POPULAR ANNUAL
FINANCIAL REPORT**

**FISCAL YEAR ENDED
AUGUST 31, 2017**

**CITY OF
LINCOLN™
NEBRASKA**

POPULAR ANNUAL FINANCIAL REPORT *Fiscal Year Ended August 31, 2017*

PURPOSE OF THE REPORT

The popular annual financial report is an unaudited summary report of the financial activities of the City of Lincoln and is prepared primarily from detailed information in the City's 2017 and 2016 Comprehensive Annual Financial Reports (CAFR), with selected information from CAFRs prepared for earlier years.

The CAFR is prepared in accordance with generally accepted accounting principles (GAAP) and includes audited financial statements. As such, it provides much more detail as well as full disclosure of material events, both financial and non-financial. The information in the CAFR by nature can be both technical and complex and therefore not as useful to citizens wishing to gain a general understanding of the City's finances. The PAFR has been prepared to simplify the information in the CAFR and better inform the public about the overall financial condition of the City, without the substantial use of technical accounting terms or excessive detail. The PAFR is not intended to provide a complete financial picture of the City in accordance with GAAP.

THE CITY OF LINCOLN

The city began with the settlement of the village of Lancaster in 1856 on the east bank of Salt Creek. The first settlers were attracted to the area for the abundance of salt that could be used primarily in the preservation of meat. In 1867, the village became Nebraska's state capital, was renamed Lincoln, and incorporated on April 1, 1869. Railroads began to use Lincoln as a stop westward and by 1892, Lincoln was a rail center. In 1920, Lincoln became part of the Detroit-Lincoln-Denver Highway Association, whose goal was to establish a continuous route from Detroit to Denver.

Today Lincoln occupies a land area of approximately 97 square miles, serves a population of approximately 280,000, and enjoys a unique position in Nebraska as the center of the state's governmental and educational activities. Lincoln also has a growing high-tech sector and makes up a part of what is known as the "Midwest Silicon Prairie."

Interstate 80, U.S. Highways 2, 6, 34, and 77, and two commercial airports in Lincoln and Omaha serve the Lincoln metropolitan area. Railroad transportation facilities include Burlington Northern/Santa Fe and Union Pacific, both maintaining yards in Lincoln. AMTRAK provides daily passenger and package express services. Ground transportation includes Greyhound, Arrow, and Burlington Trailways bus lines, taxi services, Uber and Lyft car services, and local StarTran bus services. The average commute in Lincoln is 18 minutes and nearly 18 percent of area commuters spend less than 10 minutes on the road.

City government has a broad range of responsibilities including electric, water and sanitary sewer systems, and an impressive park and playground system of over 7,300 acres maintained for public use, nine public swimming pools, and five public golf courses. The City has cooperated actively with county government in several joint governmental buildings, and in other specific areas of responsibility, including health, planning, civil defense, data processing, tax collection, and jail facilities. There are cooperative agreements with the United States government on parks and flood control, with the University of Nebraska on planning and property transfer, with the area Watershed District on flood control, and with the Lincoln School District on recreation.



Copies of both the Popular Annual Financial Report (PAFR) and the Comprehensive Annual Financial Report (CAFR) are available online at <http://www.lincoln.ne.gov/city/finance/account/> under the Finance Department, Accounting Division reports section.

CITY OF LINCOLN, NE



Mayor Chris Beutler



City Council Members

Cyndi Lamm, NE District 1 Jon Camp, SE District 2
 Jane Raybould, SW District 3 Carl Eskridge, NW District 4
 Bennie Shobe, Roy Christensen, Leirion Gaylor Baird
 At-Large

GOVERNING BODY AND TAKING CHARGE INITIATIVE

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

In 2008 the City began its long-term commitment to moving away from incremental budgeting and toward outcome-based budgeting. In outcome-based budgeting, City priorities and performance criteria are identified and assessed with active input from residents. In 2016, as part of its commitment to transparency and the inclusion of public input into its decision-making, the City of Lincoln held its Taking Charge survey and a face-to-face Community Conversation concerning current City programs and future potential investments. Taking Charge 2016 is one of many public engagement initiatives the City of Lincoln has convened about its budget and public services.

The City has launched the Open Data and Performance Management website – opendata.lincoln.ne.gov – to give Lincoln citizens one-stop access to City data and another layer of transparency to the City’s Taking Charge performance management process.

Identify Lincoln

Parks & Recreation works with residents and organizations to support activities from corporate picnics and charity walks to the community 4th of July celebration.

Efficient Transportation

Public Works/Utilities Department has worked at length to improve the timing of traffic signals to make them function as efficiently as possible.

Accountable Government

The City continues to maintain the highest possible bond ratings for general obligation debt. Moody’s Investors Service - Aaa / Standard & Poor’s - AAA

Economic Opportunity

The City is a partner with the private sector in the Lincoln Partnership for Economic Development, contributing over \$500,000 annually.

Environmental Quality

An advisory committee is currently developing recommendations for resource conservation, source reduction, waste diversion and resource recovery to reduce Lincoln’s long term dependence on landfilling.

Livable Neighborhoods

The Planning Department has increased efforts to provide timely and relevant information through the City’s website, emails, open houses, and outreach to various groups and organizations.

Healthy & Productive People

The City’s Aging Partners Division operates ten senior centers in Lancaster County, providing nutritious meals, health and education opportunities, and socialization.

Safety & Security

Parks & Recreation engages youth in after school programs at community centers to enhance safety and promote personal growth in physical, social and academic skills.

FINANCIAL HIGHLIGHTS

The table below summarizes financial information that is detailed in the pages following and gives a wide overview of City finances for governmental and business-type activities.

The governmental activities of the City include general administrative services, public safety, streets and highways, health, planning and zoning, parks and recreation, libraries, aging services, job programs, urban development, mass transportation, engineering, self-insurance, and fleet management. The business-type activities of the City include water, wastewater and electric utilities; ambulance transport; solid waste management; golf courses; entertainment center; broadband facilities; and parking.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government (Police and Fire Pension, Agency funds) and are not reflected in the financial information included here because the resources of those funds are not available to support the City's own programs.

Financial Summary

	2014	2015	2016	2017
Net Position				
Assets plus Deferred Outflows	\$ 3,403,981,057	\$ 3,504,956,843	\$ 3,623,091,048	\$ 3,647,572,706
Liabilities plus Deferred Inflows	1,605,352,153	1,674,927,674	1,708,057,858	1,637,337,986
Total Net Position	1,798,628,904	1,830,029,169	1,915,033,190	2,010,234,720
Revenues				
Governmental Activities	342,126,119	346,712,007	366,485,557	384,373,762
Business-type Activities	396,836,922	427,514,053	429,650,968	446,375,704
Total Revenues	738,963,041	774,226,060	796,136,525	830,749,466
Expenses				
Governmental Activities	297,651,834	294,952,666	321,053,878	324,405,485
Business-type Activities	372,198,349	397,723,065	390,078,626	411,142,451
Total Expenses	669,850,183	692,675,731	711,132,504	735,547,936
Capital Assets				
Governmental Activities	1,033,606,965	1,076,401,619	1,259,026,439	1,277,140,923
Business-type Activities	1,524,122,083	1,540,507,192	1,556,077,987	1,579,695,054
Total Capital Assets	2,557,729,048	2,616,908,811	2,815,104,426	2,856,835,977
Long-Term Obligations				
Governmental Activities	561,671,668	603,978,028	601,237,143	581,849,334
Business-type Activities	861,413,108	834,851,083	883,796,604	841,060,908
Total Long-Term Obligations	\$ 1,423,084,776	\$ 1,438,829,111	\$ 1,485,033,747	\$ 1,422,910,242

GLOSSARY



Governmental Activities:

Functions of the City that are principally supported by taxes and intergovernmental revenues.

Business-type Activities:

Programs of the City intended to recover all or a significant portion of their costs through user fees and charges.

NET POSITION

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

The statement of net position distinguishes functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general administrative services, public safety, streets and highways, health, planning and zoning, parks and recreation, libraries, aging services, job programs, urban development, mass transportation, engineering, self-insurance, and fleet management. The business-type activities of the City include water, wastewater and electric utilities; ambulance transport; solid waste management; golf courses; entertainment center; broadband facilities; and parking.

By far the largest portion of the City's net position (76%) reflects its investment in capital assets (e.g., land, buildings, improvements, utility plant, infrastructure, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (9%) represents resources that are subject to external restrictions on their use. The remaining balance of unrestricted net position (15%) may be used to meet the government's ongoing obligations to citizens and creditors.

At August 31, 2016, and August 31, 2017, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Assets						
Current & Other Assets	\$ 400,046,175	\$ 424,515,333	\$ 369,011,740	\$ 339,015,651	\$ 769,057,915	\$ 763,530,984
Capital Assets	1,259,026,439	1,277,140,923	1,556,077,987	1,579,695,054	2,815,104,426	2,856,835,977
Total Assets	1,659,072,614	1,701,656,256	1,925,089,727	1,918,710,705	3,584,162,341	3,620,366,961
Deferred Outflows	17,424,169	7,863,870	21,504,538	19,341,875	38,928,707	27,205,745
Liabilities						
Long-Term Liabilities Outstanding	601,237,143	581,849,334	883,796,604	841,060,908	1,485,033,747	1,422,910,242
Other Liabilities	40,979,757	37,327,350	161,974,116	161,066,864	202,953,873	198,394,214
Total Liabilities	642,216,900	619,176,684	1,045,770,720	1,002,127,772	1,687,987,620	1,621,304,456
Deferred Inflows	18,935,325	15,030,607	1,134,913	1,002,923	20,070,238	16,033,530
Net Position						
Investment in Capital Assets	773,243,018	803,312,775	664,773,842	725,334,301	1,438,016,860	1,528,647,076
Restricted	159,387,584	170,845,285	17,071,503	16,243,396	176,459,087	187,088,681
Unrestricted	82,713,956	101,154,775	217,843,287	193,344,188	300,557,243	294,498,963
Total Net Position	\$ 1,015,344,558	\$ 1,075,312,835	\$ 899,688,632	\$ 934,921,885	\$ 1,915,033,190	\$ 2,010,234,720

GLOSSARY



Net Investment in Capital Assets: Assets owned by the City, including but not limited to land, buildings, improvements, utility plant, infrastructure, and equipment, reduced by any debt attributable to their acquisition.

Restricted: Assets that are subject to constraints by external parties (debt covenants, grantors, contributors), or law or regulations of other governments, or constraints imposed by constitutional provision or enabling legislation.

Unrestricted: The residual amount of net position that is available to meet ongoing needs.

REVENUES

Combined Statement of Revenues

	2016	2017
Program Revenues		
Charges for Services	\$ 481,768,999	\$ 500,607,426
Operating Grants and Contributions	64,032,864	65,860,903
Capital Grants and Contributions	29,176,678	35,240,712
General Revenues		
Property taxes	66,338,373	70,687,331
Sales taxes	83,561,157	88,493,433
Occupation taxes	30,813,005	30,976,948
Other taxes	25,075,921	25,822,855
Investment Earnings, Transfers, & Other	15,369,528	13,059,858
Total Revenues	\$ 796,136,525	\$ 830,749,466

The City receives the funding it needs to provide basic services to residents through a variety of sources. The table (left) presents a summary of City revenues by source for both 2016 and 2017, including both governmental activities and business-type activities combined.

Overall, the City's total revenues increased approximately 4.35% or \$34,612,941, primarily due to increases in capital grants and contributions, property tax, and sales tax.

REVENUES BY SOURCE

The charts below show total revenues by source, along with the percent of the total. Key revenue source descriptions are listed below:

Charges for Services: Resources paid to the City for services such as water, sewer, electric, parking, permits and fees.

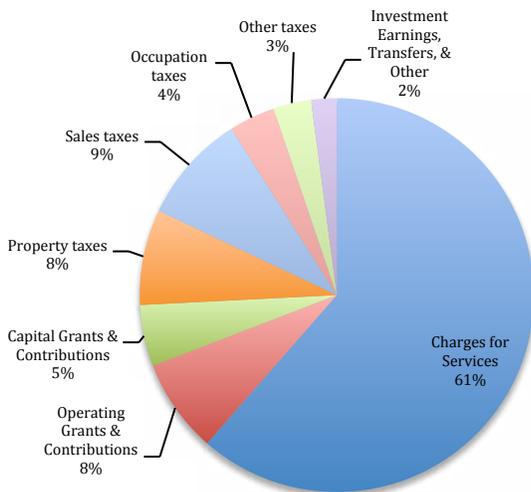
Grants and Contributions: Received primarily from other governments and used for the operation of various City programs and the construction and acquisition of capital assets.

Property tax: Taxes collected from both residential and commercial property owners on real estate and other property.

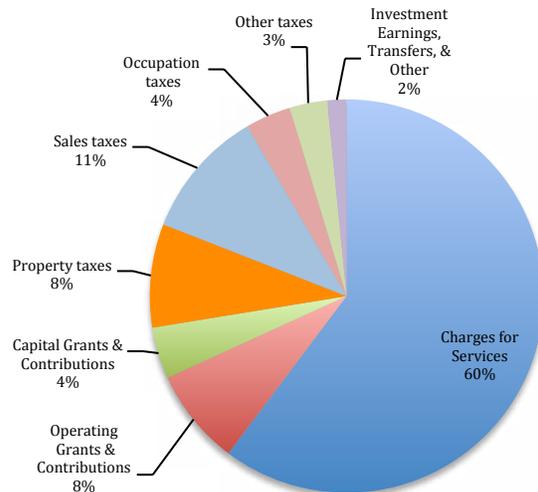
Sales tax: 1.5% normal city tax rate plus an additional .25% for a three year period to fund replacement of 911 radio system and four fire stations.

Occupation tax: Tax levied on telecommunications and cable providers, waste disposal, and imposed in the city on bar/restaurant, hotel/motel, and car rental revenues.

2016 Revenues by Source - All Funds



2017 Revenues by Source - All Funds



GLOSSARY



Governmental Activities revenues for 2017 were \$384,373,762 compared to 2016 totals of \$366,485,557, an increase of 4.9%

Business-type Activities revenues for 2017 were \$446,375,704 compared to 2016 totals of \$429,650,968, an increase of 3.9%

EXPENSES

Combined Statement of Expenses		
	2016	2017
Governmental Activities		
General Government	\$ 49,756,620	\$ 52,387,910
Public Safety	93,495,599	96,915,706
Streets and Highways	59,111,970	49,055,496
Culture and Recreation	37,633,355	41,071,450
Economic Opportunity	20,703,598	21,384,298
Health and Welfare	21,701,621	22,433,400
Mass Transit, Equip Mgmt & Engineering	17,719,159	19,984,900
Interest on Long-Term Debt	20,931,956	21,172,325
Total Governmental Activities	321,053,878	324,405,485
Business-type Activities		
Golf	3,939,149	4,193,694
Parking Systems	9,418,838	9,874,516
Municipal Arena	8,630,522	11,783,010
Solid Waste Management	11,742,556	11,684,258
Emergency Medical Services	6,865,689	6,395,628
Broadband Enterprise	402,264	819,075
Wastewater System	24,852,092	25,637,244
Water System	27,243,026	29,304,869
Electric System	286,006,000	303,928,000
Transfers	10,978,490	7,522,157
Total Business-type Activities	390,078,626	411,142,451
Total Expenses	\$ 711,132,504	\$ 735,547,936

The City provides a wide range of services for the citizens of Lincoln. The table (left) presents a summary of City expenditures by governmental function and business-type programs for both 2016 and 2017, as well as a combined total of all City expenses.

Overall, the City's total expenses increased approximately 3.43% or \$24,415,432, primarily due to increases by Lincoln Electric System.

Governmental Activities expenses for 2017 were \$324,405,485 compared to the 2016 total of \$321,053,878, an increase of \$3,351,607 or 1.04%

Business-type Activities expenses for 2017 were \$411,142,451 compared to the 2016 total of \$390,078,626, an increase of \$21,063,825 or 5.40%.

EXPENSES BY FUNCTION/PROGRAM – The charts below display expenses by function or program along with the percent of total governmental or business-type activity. Key expense descriptions are as follows:

Public Safety: Includes fire, police, traffic engineering, 911 communications, building codes and inspection.

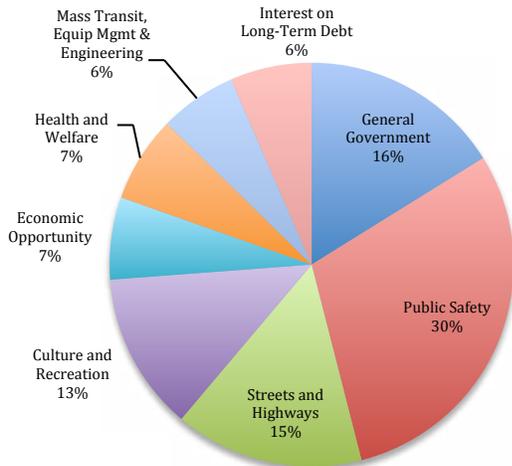
Streets and Highways: Includes street maintenance, construction, snow removal, lighting, drainage and sanitation.

General Government: Includes the mayor's office, city council, finance administration, city attorney, human resources, planning and zoning, and urban development.

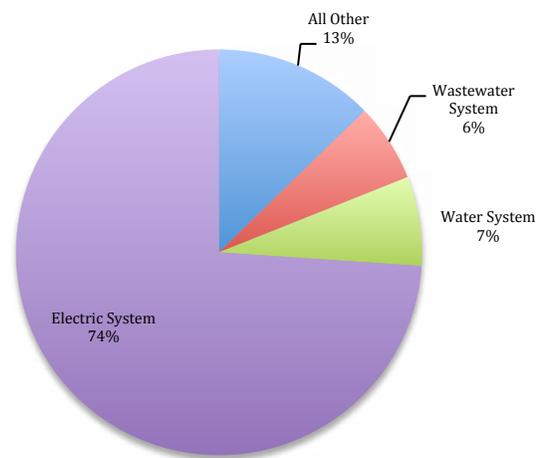
Culture and Recreation: Includes parks, public gardens, trails, forestry, recreation centers, pools, and libraries.

Lincoln Electric, Water, and Wastewater Systems: Includes expenses for the electric utility operations, distribution of water, and collection of wastewater.

2017 Governmental Activities Expenses



2017 Business-Type Activities Expenses



CAPITAL ASSETS / LONG-TERM OBLIGATIONS

Combined Statement of Capital Assets

	2016	2017
Capital Assets, not being depreciated:		
Land	\$ 190,783,766	\$ 194,675,829
Construction in progress	125,472,068	155,940,871
Total not being depreciated	316,255,834	350,616,700
Capital Assets, being depreciated:		
Buildings	425,382,417	426,589,055
Improvements other than buildings	581,543,186	592,061,921
Machinery and equipment	57,411,474	60,400,762
Infrastructure	627,005,515	629,277,539
Utility plant	807,506,000	797,890,000
Total being depreciated	2,498,848,592	2,506,219,277
Total Capital Assets	\$ 2,815,104,426	\$ 2,856,835,977

CAPITAL ASSETS

Delivering services to the citizens of Lincoln and doing so efficiently requires the use of a variety of capital assets. In 2017 total assets, net of depreciation, were valued at \$2.9 billion, an increase of \$41.7 million from 2016.

Current year capital asset events include investment in a new 911 emergency radio system, LES operation center, Laramie River Station improvements, LES duct installation program, Stevens Creek Basin trunk sewer, select water main replacements, and street, bridges, drainage, and lighting systems projects.

LONG-TERM OBLIGATIONS

As of August 31, 2017, the City's long-term obligations totaled approximately \$1.423 billion, comprised of \$582 million for governmental activities and \$841 million for business-type activities. Of this total, \$66.1 million is due within one year. Debt additions in 2017 include the issue of \$14.7 million in general obligation refunding bonds, \$2.2 million in equipment capital leases, and \$116.6 million in Lincoln Electric Revenue and Refunding bonds.

Condensed Statement of Long-term Obligations

(amounts in thousands)

	Governmental Activities		Business-type Activities		Total	
	Payable at 8/31/17	Due Within One Year	Payable at 8/31/17	Due Within One Year	Payable at 8/31/17	Due Within One Year
Bonds, Note, Loans, and Leases:						
General Obligation Bonds	\$ 40,780	\$ 4,955	\$ -	\$ -	\$ 40,780	\$ 4,955
Tax Allocation Bonds	4,911	784	-	-	4,911	784
Tax Supported Bonds	56,565	4,560	-	-	56,565	4,560
Special Assessment Debt with Government Commitment	3,135	180	-	-	3,135	180
WHJPA Bonds	326,545	565	-	-	326,545	565
Revenue Bonds	-	-	705,720	26,815	705,720	26,815
Revenue Loans and Note	-	-	34,939	1,967	34,939	1,967
Capital Leases	39,370	5,416	1,241	288	40,611	5,704
Less Deferred Amounts:						
For Issuance Premiums	13,318	-	65,876	-	79,194	-
For Issuance Discounts	(990)	-	(53)	-	(1,043)	-
Other Liabilities:						
Compensated Absences	22,949	9,380	2,950	1,527	25,899	10,907
Construction Contracts	3,404	3,404	2,138	2,138	5,542	5,542
Developer Performance Deposits	-	-	896	-	896	-
Claims and Judgements	10,597	4,149	541	-	11,138	4,149
Net Pension Liability	48,987	-	2,911	-	51,898	-
Net OPEB Obligation	12,278	-	2,007	-	14,285	-
Accrued Landfill Closure/Postclosure	-	-	21,895	-	21,895	-
Total Long-Term Liabilities	\$ 581,849	\$ 33,393	\$ 841,061	\$ 32,735	\$ 1,422,910	\$ 66,128

GLOSSARY



COPs: Certificates of Participation, reported in capital leases above, are debt instruments evidencing a share in a specific pledged revenue stream, usually lease payments by the issuer that are typically subject to annual appropriation.

OPEB: Other Post Employment Benefits reported by the City of Lincoln is the implicit rate subsidy provided to retirees when their premium is the "full cost" of the insurers charge for the active population.