

**NEW ISSUE
BOOK-ENTRY ONLY**

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

In the opinion of Special Tax Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended, the Interest Portion of Basic Rent Payments paid by the City and distributed to the registered owners of the Series 2014A Certificates is excludable from gross income for federal and Nebraska income tax purposes, except as described in this Official Statement, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The Series 2014A Certificates have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS."

**OFFICIAL STATEMENT
\$9,500,000
CERTIFICATES OF PARTICIPATION
Series 2014A**

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

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

Dated: May 21, 2014

Due: March 15, as shown below

The Series 2014A Certificates will be executed and delivered in fully registered form in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series 2014A Certificates. Purchases of the Series 2014A Certificates will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof as described above. Purchasers will not receive certificates representing their interests in Series 2014A Certificate purchases. So long as Cede & Co. is the registered owner of the Series 2014A Certificates, as nominee of DTC, references herein to the Registered Owners shall mean Cede & Co. and shall not mean the Beneficial Owners (herein defined) of the Series 2014A Certificates. Interest Portions of Basic Rent represented by the Series 2014A Certificates are payable semiannually on March 15 and September 15 of each year, to and including the date of maturity, commencing on September 15, 2014.

The Series 2014A Certificates evidence the ownership of proportionate interests in, and rights to receive payments under, a Lease Purchase Agreement dated May 21, 2014 (the "**Lease**"), between Union Bank and Trust Company, a state banking corporation (the "**Trustee**"), as lessor, and The City of Lincoln, Nebraska (the "**City**"), as lessee. The Series 2014A Certificates are executed and delivered pursuant to a Declaration of Trust dated May 21, 2014, made by the Trustee. Neither the Series 2014A Certificates nor the Basic Rent Payments are obligations of the Trustee, and the Trustee does not have any obligations under or with respect to the Series 2014A Certificates or the Basic Rent Payments.

The Series 2014A Certificates are not subject to optional prepayment prior to maturity.

The Series 2014A Certificates constitute interests in Basic Rent Payments to be made by the City. The Basic Rent Payments are payable from the City's General Fund, which includes the City's sales tax revenue and ad valorem taxes levied by the City against all taxable property in the City. See "**NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION.**"

<u>Maturity (March 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP Number (534266)</u>	<u>Price</u>
2016	\$1,005,000	2.000%	FL0	102.966%
2017	1,010,000	2.000	FM8	103.818
2018	1,020,000	2.000	FN6	103.811
2019	1,025,000	2.000	FP1	103.352
2020	1,045,000	2.000	FQ9	102.268
2021	1,060,000	3.000	FR7	107.132
2022	1,085,000	3.000	FS5	106.678
2023	1,110,000	3.000	FT3	106.047
2024	1,140,000	3.000	FU0	105.307

The Series 2014A Certificates are offered when, as and if executed and delivered by the Trustee, subject to the approval of their validity by Gilmore & Bell, P.C., Special Tax Counsel, as described herein. Certain legal matters will be passed upon for the City by Rodney M. Confer, City Attorney. It is expected that the Series 2014A Certificates in definitive form will be available for delivery at The Depository Trust Company in New York, New York, on or about May 21, 2014.

BMO CAPITAL MARKETS GKST INC.

AMERITAS INVESTMENT CORP.
has acted as Financial Advisor

The date of this Official Statement is May 6, 2014.

THE CITY OF LINCOLN, NEBRASKA

555 South 10th Street
Lincoln, Nebraska 68508
(402) 441-7412

MAYOR

Christopher Beutler

CITY COUNCIL

Carl Eskridge (Chair)
Doug Emery (Vice Chair)
Jon Camp
Jonathan Cook
Leirion Gaylor Baird
Roy Christensen
Trent Fellers

DEPARTMENT HEADS

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

Peggy Tharnish, City Controller

SPECIAL TAX COUNSEL

Gilmore & Bell, P.C.
Lincoln, Nebraska

LESSOR AND TRUSTEE

Union Bank and Trust Company
Lincoln, Nebraska

UNDERWRITER

BMO Capital Markets GKST Inc.
Chicago, Illinois

FINANCIAL ADVISOR

Ameritas Investment Corp.

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, sales representative or other person has been authorized by the City or the Underwriter to give any information or to make any representations with respect to the Series 2014A Certificates other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2014A Certificates by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the City and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2014A CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2014A CERTIFICATES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES OR "BLUE SKY" LAWS. THE SERIES 2014A CERTIFICATES ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION. THE SECURITIES DESCRIBED HEREIN HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

FORWARD-LOOKING STATEMENTS

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

TABLE OF CONTENTS

	Page
INTRODUCTION	1
Purpose of the Official Statement.....	1
The City.....	1
Plan of Financing.....	1
The Financing Documents.....	2
Financial Statements.....	2
Continuing Disclosure.....	2
Definitions and Descriptions; Inspection of Documents.....	2
THE SERIES 2014A CERTIFICATES OF PARTICIPATION.....	3
General Provisions	3
Payment of Basic Rent and Prepayment Price	3
Transfer and Exchange	3
No Optional Prepayment	4
Book-Entry Only System	4
SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES	5
NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION.....	5
ADDITIONAL CERTIFICATES	6
THE TRUSTEE	6
RISK FACTORS	6
Inability to Liquidate	6
Effects on the Tax Exemption of the Certificates Upon a Termination	7
THE EQUIPMENT.....	7
Description of the Equipment.....	7
SOURCES AND USES OF FUNDS	7
SCHEDULE OF LEASE PAYMENTS.....	8
SUMMARY OF THE LEGAL DOCUMENTS	8
CONTINUING DISCLOSURE.....	8
Annual Reports.....	8
Material Event Notices.....	9
Electronic Municipal Market Access System (EMMA).....	10
RATING	10
LITIGATION.....	10
TAX MATTERS.....	11
Opinion of Special Tax Counsel.....	11
Other Tax Consequences.....	11
LEGAL MATTERS.....	12
ADDITIONAL INFORMATION.....	13
APPENDIX A – THE CITY OF LINCOLN, NEBRASKA	
APPENDIX B – FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDED	
AUGUST 31, 2013, TOGETHER WITH AUDITORS’ REPORT THEREON	
APPENDIX C – DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS	
APPENDIX D – BOOK-ENTRY SYSTEM	
APPENDIX E – FORM OF OPINION OF SPECIAL TAX COUNSEL	

OFFICIAL STATEMENT

\$9,500,000

CERTIFICATES OF PARTICIPATION

SERIES 2014A

Evidencing Proportionate Interests of the Owners

Thereof in Basic Rent Payments to be Made by

THE CITY OF LINCOLN, NEBRASKA

as Lessee pursuant to a Lease Purchase Agreement with

Union Bank and Trust Company, as Lessor

INTRODUCTION

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

Purpose of the Official Statement

This Official Statement, including the cover page and the appendices hereto (the **“Official Statement”**), is provided to furnish information with respect to the sale and delivery of certificates of participation in the aggregate principal amount of \$9,500,000 (the **“Series 2014A Certificates”**), representing the proportionate interests of the owners thereof (the **“Certificate Owners”**) in basic rent payments (the **“Basic Rent Payments”**) to be made by The City of Lincoln, Nebraska (the **“City”**), as the rental payments and purchase price of the interest of Union Bank and Trust Company, a state banking corporation, as lessor (the **“Trustee”**), in the hereinafter defined Equipment, pursuant to a Lease Purchase Agreement, dated May 21, 2014 (the **“Lease”**), entered into between the Trustee and the City, as lessee. See **“THE EQUIPMENT.”**

The City

The City is a city of the primary class and political subdivision organized and existing under the laws of the State of Nebraska. The City is located in the geographic center of Lancaster County, Nebraska, and is the state capital, as well as the county seat. See **APPENDIX A: THE CITY** and **APPENDIX B: FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED AUGUST 31, 2013, TOGETHER WITH AUDITOR’S REPORT THEREON.**

Plan of Financing

The proceeds received from the sale of the Series 2014A Certificates will be used to (a) (1) purchase and install light poles and related equipment, such as light fixtures, wiring, and other items necessary to complete the installation of new street lights in newly developed residential and commercial areas as well as replace, rebuild and relocate street lights in established areas, (2) repair and replace approximately 2,800 sidewalk sections within the City and (3) construct streetscape enhancements and related costs for an entryway corridor to the City (collectively, the **“Equipment”**) and (b) pay certain costs related to the execution and delivery of the Series 2014A Certificates.

Pursuant to the terms and conditions of the Lease and the Declaration of Trust, the Trustee and the City have agreed that the Trustee will pay, from proceeds of the sale of the Series 2014A Certificates, the cost of the Equipment.

The Series 2014A Certificates are payable solely from the Basic Rent Payments to be paid by the City under the Lease and, to the extent received by the Trustee, net proceeds of certain insurance policies, condemnation awards or proceeds from the liquidation of interests in the Equipment.

The Financing Documents

The Trustee will lease the Equipment, with the option to purchase upon final payment of all amounts due thereunder, to the City pursuant to the Lease. The Lease will provide, among other things, for a term that commences on the date of delivery of the Certificates, and ends on March 15, 2024, the date of the final maturity of the Certificates. The City is authorized to enter into the Lease pursuant to Ordinance No. 20013 passed by the Council on April 14, 2014 and approved by the Mayor on April 17, 2014 (the “**Ordinance**”).

The Series 2014A Certificates are being executed and delivered pursuant to a Declaration of Trust dated the date of delivery (the “**Declaration of Trust**”), made by the Trustee. Neither the Certificates nor the Basic Rent Payments are obligations of the Trustee, and the Trustee has no liability or obligation under or with respect to the Certificates or the Basic Rent Payments.

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

Financial Statements

The audited financial statements of the City for Fiscal Year ended August 31, 2013, are included in **APPENDIX B** hereto. The financial statements in **APPENDIX B** have been audited by BKD, LLP, Lincoln, Nebraska, independent auditors, whose report thereon is also included in **APPENDIX B** hereto. The City did not request BKD, LLP to perform any updating procedures subsequent to the date of its audit report on the August 31, 2013 financial statements.

Continuing Disclosure

The City agrees in a Continuing Disclosure Undertaking dated the date of delivery (the “**Disclosure Certificate**”) to provide certain annual financial information and operating data relating to the City by not later than May 1 of each year (the “**Annual Report**”), commencing May 1, 2015, and to provide notices of the occurrence of certain enumerated events. See “**CONTINUING DISCLOSURE**.”

Definitions and Descriptions; Inspection of Documents

Certain capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings given to such terms in **APPENDIX C: DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS**. Summaries of the Lease and the Declaration of Trust are also included in **APPENDIX C**. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Lease, the Declaration of Trust and the Continuing Disclosure Certificate are qualified in their entirety by reference to such documents, copies of which may be viewed at the principal corporate office of the Financial Advisor, 5900 O Street, Lincoln, Nebraska 68510 or will be provided by the Financial Advisor to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request. All references to the Series 2014A Certificates are

qualified in their entirety by the definitive terms thereof and the information with respect thereto included in the Lease, the Declaration of Trust and the Continuing Disclosure Certificate. Information concerning the City has been supplied by the City, and has not been verified by the Trustee, and the Trustee makes no representation or warranty, express or implied, as to the accuracy or completeness of such information.

THE SERIES 2014A CERTIFICATES OF PARTICIPATION

General Provisions

The Series 2014A Certificates are dated the date of delivery thereof, and will mature on March 15, in the amounts and in the years stated on the cover page hereof unless prepaid prior thereto.

Payment of Basic Rent and Prepayment Price

The Series 2014A Certificates will be delivered in the denomination of \$5,000 each or any integral multiple thereof in book-entry form. Purchases of the Series 2014A Certificates will be made in book-entry only form in the denomination of \$5,000 or any integral multiple thereof. Purchasers of the Series 2014A Certificates will not receive certificates representing their interests in the Series 2014A Certificates purchased. Each Series 2014A Certificate represents a proportionate interest in the Principal Portions and Interest Portions of the Basic Rent Payments to be paid by the City to the Trustee for the benefit of the Series 2014A Certificate Owners. Principal Portions of Basic Rent will be payable on March 15 of each year beginning March 15, 2016. Interest Portions of Basic Rent shall be payable semiannually on March 15 and September 15 of each year, beginning on September 15, 2014, to and including the date of maturity. Under the Declaration of Trust, the Trustee is designated as the initial paying agent for the Series 2014A Certificates.

While the Series 2014A Certificates remain in book-entry form, payments to Beneficial Owners (defined herein) are governed by the rules of DTC as described in **“BOOK-ENTRY ONLY SYSTEM.”** In the event that DTC ceases to act as securities depository for the 2014 Certificates, payment may be made as described below. Under the Declaration of Trust, the Trustee is designated as the initial paying agent for the Series 2014A Certificates.

Interest Portions of Basic Rent represented by the Series 2014A Certificates shall be payable by check or draft of the Trustee mailed to the Series 2014A Certificate Owners at the address of each Series 2014A Certificate Owner shown on the registration books maintained by the Trustee as of the close of business on the last day of the month next preceding the month in which each Interest Payment Date occurs (the **“Record Date”**), or at the written request of any Owner of Series 2014A Certificates in the aggregate Principal Portion of at least \$500,000, by electronic transfer to the bank for credit to the ABA routing number and account number filed with the Trustee no later than 15 days prior to the record date.

The Principal Portion of the Basic Rent represented by the Series 2014A Certificates will be payable (whether at maturity or upon prepayment or acceleration) by check or draft to the Owners of such Series 2014A Certificates upon presentation and surrender of such Series 2014A Certificates at the designated corporate trust office of the Trustee.

Transfer and Exchange

While the Series 2014A Certificates remain in book-entry form, transfers of ownership by Beneficial Owners may be made as described under **“BOOK-ENTRY ONLY SYSTEM.”** In the event that DTC

ceases to act as securities depository for the Series 2014A Certificates, transfers may be effected as described below.

Books for the registration and transfer of the Series 2014A Certificates are to be kept by the Trustee, as Registrar. Upon surrender for transfer of any Series 2014A Certificate at the principal payment office of the Trustee and satisfaction of the conditions and restrictions of such transfer, the Trustee is to execute and deliver in the name of the transferee a new Series 2014A Certificate of the same maturity or maturities, interest rate and tenor as the Series 2014A Certificates surrendered. Series 2014A Certificates may be exchanged at the principal payment office of the Trustee for an equal aggregate principal amount of Series 2014A Certificates of the same maturity or maturities, interest rate and tenor as the Series 2014A Certificate surrendered. All Series 2014A Certificates presented for transfer or exchange must be accompanied by a written instrument of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Trustee, duly executed by the Owner or by his attorney duly authorized in writing.

The person in whose name any Series 2014A Certificate is registered is deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of either the Principal Portion or the Interest Portion of the Basic Rent Payments represented by any Series 2014A Certificate will be made only to or upon the written order of the registered owner thereof or his legal representative.

The Series 2014A Certificates are payable in lawful money of the United States of America which at the time of payment is legal tender for the payment of public and private debt. Series 2014A Certificates may be transferred at the principal payment office of the Trustee. Series 2014A Certificates may be exchanged for Series 2014A Certificates of the same maturity of other authorized denominations in accordance with the terms of the Declaration of Trust. For every such exchange or transfer of Series 2014A Certificates, the Trustee shall make a charge to the Series 2014A Certificate Owner sufficient to reimburse it for any tax, fee or other governmental charges required to be paid with respect to such exchange or transfer.

No Optional Prepayment

No Optional Prepayment. The Series 2014A Certificates are not subject to optional prepayment prior to maturity.

Book-Entry Only System

General. The Depository Trust Company (“**DTC**”), New York, New York, will act as securities depository for the Certificates. The ownership of one fully registered Certificate for each maturity, as set forth on the cover of this Official Statement, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as the nominee for DTC. Ownership interests in the Certificates will be available to purchasers only through a book-entry system maintained by DTC (the “**Book-Entry System**”). A description of DTC, the Book-Entry System and definitions of initially capitalized terms used herein are found in **APPENDIX D: BOOK-ENTRY SYSTEM** to this Official Statement.

Risk Factors. Beneficial Owners of the Certificates may experience some delay in their receipt of distributions of the principal or redemption price of and interest on the Certificates because such distributions will be forwarded by the Registrar to DTC, credited by DTC to its Direct Participants, and then credited to the accounts of the Beneficial Owners either directly or indirectly through Indirect Participants.

Because transactions in the Certificates can only be effected through DTC, DTC Participants and certain banks, the ability of a Beneficial Owner to pledge Certificates to persons or entities that do not participate in the Book-Entry System, or otherwise to take actions in respect of such Certificates, may be limited due to the lack of physical certificates. Beneficial Owners will not be recognized by the Registrar as registered owners for purposes of the Ordinance, and Beneficial Owners will be permitted to exercise the rights of registered owners only indirectly through DTC and DTC Participants.

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

The City has contracted in the Lease to pay the Rental Payments which are general obligations of the City payable from the City's General Fund, and are not subject to annual appropriation by the Council. The City's General Fund includes sales tax revenue together with ad valorem taxes which the City is authorized to levy, subject to certain budget and levy limitations, in amounts sufficient to make the Rental Payments. In the Lease, the City has covenanted that the Rental Payments and any additional rent payable under the Lease do not exceed any limitation imposed by law, and that the Rental Payments are not such as may reasonably be expected to require the City to levy taxes in excess of any levy or budget limitation. The City shall continue to be responsible to raise funds to pay and to take all actions required to provide funds to make the Rental Payments required in the Lease from any power and source lawfully available. The City has further covenanted and agreed that throughout the term of the Lease it will observe all budget and spending limitations now or hereafter imposed by law in such a manner that a sufficient portion of its tax levy or other money shall be lawfully available to pay the Rental Payments and any additional rent due under the Lease. Any property taxes levied by the City to make Rental Payments are subject to the budget and levy limitations described under **"NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION."**

NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION

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

Section 13-519 provides that for all fiscal years beginning on or after July 1, 1998, no governmental unit (including the City) may adopt a budget containing a total of budgeted restricted funds more than the last prior year's total of budgeted restricted funds plus allowable growth, plus a basic allowable growth percentage (initially 2½% until adjusted by the Legislature). Restricted funds generally include property taxes, excluding any amounts refunded to taxpayers, payments in lieu of property taxes, local option sales taxes, state aid, transfers of surpluses from any user fee, permit fee, or regulatory fee if the fee surplus is transferred to fund a service or function not directly related to the fee and the costs of the activity funded from the fee, any funds excluded from restricted funds for the prior year because they were budgeted for capital improvements but which were not spent and are not expected to be spent for capital improvements, and any excess tax collections returned to the county by a governmental unit as a result of overpayment due to clerical error or mistake. Allowable growth includes the percentage increase in taxable valuation in excess of the base limitation established under Section 77-3446, Reissue Revised Statutes of Nebraska, as amended, if any, due to improvements to real property as a result of new

construction, additions to existing buildings, any improvements to real property which increase the value of such property and any increase in valuation due to annexation and any personal property valuation over the prior year. Such budget limitations may be exceeded by up to an additional 1% upon the affirmative vote of at least 75% of the governing body of the governmental unit, and larger increases are permitted with the approval of a majority of legal voters voting on the issue of such increase at a special election held for such purposes.

Under Section 77-3442, the rates for levying property taxes are limited for each type of governmental unit in the State. The rate for cities is no more than 45¢ per \$100 of taxable valuation plus an additional 5¢ per \$100 of taxable valuation may be levied to provide financing for a city's share of revenue required under an agreement executed pursuant to the Interlocal Cooperation Act, Chapter 13, Article 8, Reissue Revised Statutes of Nebraska, as amended, or the Joint Public Agency Act, Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended. A political subdivision may exceed the levy limitations provided in Section 77-3442 or a final levy allocation determination as provided in Section 77-3443 by an amount not to exceed a maximum levy approved by a majority of registered voters. The limitations of Section 13-519 do not apply to restricted funds pledged to retire bonded indebtedness, and the limitations of Section 77-3442 do not apply to property taxes levied for bonded indebtedness approved according to law and secured by a levy on property. The limitations of Section 13-519 and Section 77-3442 do apply to any property taxes levied by the City to pay Rental Payments under the Lease. The City's total levy (excluding bond levy) for the current fiscal year is \$0.28402 per \$100 of taxable valuation, which is expected to produce \$48,632,487 in collected taxes.

ADDITIONAL CERTIFICATES

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

THE TRUSTEE

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

RISK FACTORS

Inability to Liquidate

The enforceability of the Certificates and the Lease is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors rights generally and liens securing such rights, and the police powers of the State and its political subdivisions. The Equipment is appropriate for use only as part of a street lighting system, as sidewalks, or for use as streetscape. Because of such limited use, and

the delays inherent in obtaining the remedies involving such property, a potential purchaser of the Certificates should not anticipate that remedies could be accomplished rapidly, if at all. Any delays in the ability of the Trustee to exercise its remedies under the Lease or the Declaration of Trust may result in the payment of the Certificates or nonpayment of the Certificates after expenditures of any amount on deposit in the Reserve Fund.

Effects on the Tax Exemption of the Certificates Upon a Termination

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

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

THE EQUIPMENT

Description of the Equipment

The Equipment consists of (a) light poles and related equipment, such as light fixtures, wiring, and other items necessary to complete the installation of new street lights in newly developed residential and commercial areas as well as replace, rebuild and relocate street lights in established areas, (b) approximately 2,800 sidewalk sections within the City and (c) streetscape enhancements and related costs for an entryway corridor to the City.

SOURCES AND USES OF FUNDS

The estimated sources and application of funds in connection with the execution of the Series 2014A Certificates are as follows:

Sources of Funds:

Certificate Proceeds	\$9,500,000.00
Aggregate Original Issue Premium	<u>440,977.90</u>
Total Sources of Funds	\$9,940,977.90

Applications of Funds:

Street Lights	\$3,330,000.00
Sidewalks	4,000,000.00
Entryway Corridor	2,500,000.00
Costs of Issuance*	<u>110,977.90</u>
Total Applications of Funds	\$9,940,977.90

*Includes underwriter's discount, legal fees, printing expenses and other miscellaneous expenses.

SCHEDULE OF LEASE PAYMENTS

The following table sets forth the scheduled amortization of the Series 2014A Certificates:

<u>Fiscal Year</u> <u>Ending August 31</u>	<u>Principal</u> <u>Portion</u>	<u>Interest</u> <u>Portion</u>	<u>Total</u>
2015	\$ 0.00	\$ 191,059.17	\$ 191,059.17
2016	1,005,000.00	233,950.00	1,238,950.00
2017	1,010,000.00	213,850.00	1,223,850.00
2018	1,020,000.00	193,650.00	1,213,650.00
2019	1,025,000.00	173,250.00	1,198,250.00
2020	1,045,000.00	152,750.00	1,197,750.00
2021	1,060,000.00	131,850.00	1,191,850.00
2022	1,085,000.00	100,050.00	1,185,050.00
2023	1,110,000.00	67,500.00	1,177,500.00
2024	<u>1,140,000.00</u>	<u>34,200.00</u>	<u>1,174,200.00</u>
Totals	\$9,500,000.00	\$1,492,109.17	\$10,992,109.17

SUMMARY OF THE LEGAL DOCUMENTS

Attached hereto as **APPENDIX C** are summaries of certain provisions of the Lease and the Declaration of Trust, as well as certain defined terms used therein. The summaries do not purport to be complete, and reference is made to the full text of the Lease and the Declaration of Trust, respectively, for a complete recital of their terms, as well as a complete recital of the defined terms used therein. Copies of all documents relating to the Series 2014A Certificates can be obtained from the Trustee upon payment by such prospective purchaser requesting the same of the cost of complying with such request.

CONTINUING DISCLOSURE

The City has determined that no financial or operating data concerning the Trustee is material to an evaluation of the offering of the Series 2014A Certificates or to any decision to purchase, hold or sell the Series 2014A Certificates, and the City will not provide any such information. The City has no responsibility to any person with respect to the provision of any information about the Trustee.

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

Annual Reports

Pursuant to the Disclosure Certificate, the City shall, not later than **May 1** of each year, commencing with May 1, 2015, provide to the Municipal Securities Rulemaking District (“**MSRB**”) the following financial information and operating data (the “**Annual Report**”):

(a) The audited financial statements of the City for the prior fiscal year, prepared in accordance with generally accepted accounting principles. If audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the Certificates, and the audited financial statements shall be filed in the same manner as the Annual Report promptly after they become available.

(b) Updates as of the end of the fiscal year of such financial and operating data as the City customarily prepares of the type included in **Appendix A** of this Official Statement in substantially the same format contained in this Official Statement.

Material Event Notices

Pursuant to the Disclosure Certificate, not later than 10 business days after the occurrence of any of the following events, the City shall also give, or cause a dissemination agent to give, notice of the occurrence of any of the following events with respect to the Series 2014A Certificates (“**Material Events**”):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions; the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2014A Certificates, or other material events affecting the tax status of the Series 2014A Certificates;
- (7) modifications to rights of owners of the Series 2014A Certificates, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Series 2014A Certificates, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the City;
- (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material.

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

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

Notwithstanding any other provision of the Disclosure Certificate, the City may amend the Disclosure Certificate and any provision of the Disclosure Certificate may be waived, provided Special Tax Counsel or other counsel experienced in federal securities law matters provides the City with its opinion that the undertaking of the City, as so amended or after giving effect to such waiver, is in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to the Disclosure Certificate.

In the event of a failure of the City to comply with any provision of the Disclosure Certificate, any Owner or Beneficial Owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an Event of Default under the Lease Agreement or the Declaration of Trust, and the sole remedy under the Disclosure Certificate in the event of any failure of the City to comply with the Disclosure Certificate shall be an action to compel performance.

Electronic Municipal Market Access System (EMMA)

All Annual Reports and notices of Material Events required to be filed by the City or the dissemination agent pursuant to the Disclosure Certificate must be submitted to the MSRB through the MSRB's Electronic Municipal Market Access system ("EMMA"). EMMA is an internet-based, online portal for free investor access to municipal bond information, including offering documents, material event notices, real-time municipal securities trade prices and MSRB education resources, available at www.emma.msrb.org. Nothing contained on EMMA relating to the City or the Certificates is incorporated by reference in this Official Statement.

RATING

Moody's Investors Service, Inc. has assigned the Series 2014A Certificates a rating of "Aaa." Such rating reflects only the views of such organization, and an explanation of the significance of such rating may be obtained from Moody's Investors Service, 7 World Trade Center, 350 Greenwich Street, 23rd Floor, New York, New York 10007, telephone (212) 553-0300.

Generally, a rating agency bases its rating on such information and materials and investigations, studies and assumptions furnished to and obtained and made by the rating agency. The rating is not a recommendation to purchase, sell or hold a security, inasmuch as it does not comment as to market price or suitability for a particular investor. There is no assurance that the above rating will remain for any given period of time or that it may not be lowered, suspended or withdrawn entirely by such rating agency if it deems circumstances are appropriate. Any downward change in, suspension or withdrawal of such rating may have an adverse effect on the market price of the Series 2014A Certificates.

LITIGATION

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

2014A Certificates or the constitutionality or validity of the obligation represented by the Series 2014A Certificates or the means provided for the Basic Rent Payments under the Lease.

TAX MATTERS

The following is a summary of the material federal and State of Nebraska income tax consequences of holding and disposing of the Series 2014A Certificates. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Series 2014A Certificates as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Nebraska, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Series 2014A Certificates in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Series 2014A Certificates.

Opinion of Special Tax Counsel

In the opinion of Gilmore & Bell, P.C., Special Tax Counsel, under the law existing as of the issue date of the Series 2014A Certificates:

Federal and Nebraska Tax Exemption. The Interest Portion of Basic Rent Payments on the Series 2014A Certificates is excludable from gross income for federal and Nebraska income tax purposes.

Alternative Minimum Tax. The Interest Portion of Basic Rent Payments on the Series 2014A Certificates is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Bank Qualification. The Series 2014A Certificates have not been designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

Special Tax Counsel’s opinions are provided as of the date of the original issue of the Series 2014A Certificates, subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2014A Certificates in order that the Interest Portion of Basic Rent Payments be, or continue to be, excludable from gross income for federal and Nebraska income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of such Interest Portion of Basic Rent Payments on the Series 2014A Certificates in gross income for federal and State of Nebraska income tax purposes retroactive to the date of issuance of the Series 2014A Certificates. Special Tax Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2014A Certificates but has reviewed the discussion under the heading “TAX MATTERS.”

Other Tax Consequences

Original Issue Premium. If a Series 2014A Certificate is issued at a price that exceeds the stated redemption price at maturity of the Series 2014A Certificate, the excess of the purchase price over the

stated redemption price at maturity constitutes “premium” on that Series 2014A Certificate. Under Section 171 of the Code, the purchaser of that Series 2014A Certificate must amortize the premium over the term of the Series 2014A Certificate using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the Series 2014A Certificate and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Series 2014A Certificate prior to its maturity. Even though the owner’s basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of certificate premium.

Sale, Exchange or Retirement of Series 2014A Certificates. Upon the sale, exchange or retirement (including redemption) of a Series 2014A Certificate, an owner of the Series 2014A Certificate generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Series 2014A Certificate (other than in respect of accrued and unpaid interest) and such owner’s adjusted tax basis in the Series 2014A Certificate. To the extent a Series 2014A Certificate is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Series 2014A Certificate has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the Series 2014A Certificates, and to the proceeds paid on the sale of the Series 2014A Certificates, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner’s federal income tax liability.

Collateral Federal Income Tax Consequences. Prospective purchasers of the Series 2014A Certificates should be aware that ownership of the Series 2014A Certificates may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2014A Certificates. Special Tax Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2014A Certificates should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Series 2014A Certificates, including the possible application of state, local, foreign and other tax laws.

LEGAL MATTERS

All legal matters incident to the authorization, execution and delivery of the Series 2014A Certificates are subject to the approval of legality by Special Tax Counsel. Special Tax Counsel has participated in the preparation of this Official Statement but the factual and financial information appearing herein has been supplied or reviewed by the City, its officials and counsel. Certain legal matters will be passed upon for the City by its counsel, Rodney M. Confer, City Attorney, Lincoln, Nebraska.

ADDITIONAL INFORMATION

Additional information with respect to the City and the Series 2014A Certificates may be obtained upon request from the City.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the City and Series 2014A Certificate Owners.

This Official Statement has been approved by the City and is submitted only in connection with the sale of the Series 2014A Certificates and may not be reproduced or used in whole or in part for any other purpose.

* * * * *

APPENDIX A

THE CITY OF LINCOLN, NEBRASKA

THE CITY OF LINCOLN

General

Lincoln, the capital of Nebraska, is located in southeastern Nebraska near the center of population of the state. The City was originally incorporated in 1869. It is approximately midway between Chicago and Denver. It has an area of 92.05 square miles, and in its growth and development has annexed five other municipalities so that the City includes most of the urban area of Lancaster County. It enjoys a unique position in Nebraska as the center of the state governmental and educational activities.

Population

The 1980 population of the City was 171,932; the 1990 population was 191,972; the 2000 population was 225,588; and the 2010 population was 258,379, a 14.5 percent increase over the 2000 count. The 2010 count represents 90.5 percent of the population of Lancaster County, the county in which the City is located. The estimated 2013 population is 265,404.

City Government

The City, operating under a home rule charter, has a mayor-council form of government with an elected full-time chief executive, the Mayor, and an elected legislative body, the Council, composed of seven members. Three are elected at large and four by district on a nonpartisan basis for a term of four years. The administration of City government is performed under the direction of the Mayor by administrative departments.

City government has a broad range of responsibilities, including electric, water, and sanitary sewer systems, and an impressive park and playground system of over 6,503 acres maintained for public use, nine public swimming pools, and five public golf courses. The City has cooperated actively with the county government in several joint governmental buildings, and in other specific areas of responsibility, including health, planning, civil defense, data processing, tax collection, parks, and jail facilities. There are cooperative agreements with the United States government on parks and flood control, with the University of Nebraska on planning and property transfer, with the area Watershed District on flood control, and with the Lincoln School District on recreation.

Transportation

The Lincoln metropolitan area is served by Interstate 80, and U.S. Highways 2, 6, 34, and 77.

Lincoln is served by two commercial airports with daily shuttle service available between locations. The Lincoln Municipal Airport is located less than 10 minutes from downtown and has daily departures to Chicago, Denver, and Minneapolis. Eppley Airfield, located in east Omaha, is 65 minutes from downtown Lincoln and offers service from 22 airlines. Together the two airports offer more than 100 arrivals and departures daily. The Lincoln Municipal Airport also offers General Aviation services. The General Aviation runway is 8,649 feet long, and the runway is lit dusk to dawn.

Railroad transportation facilities include those of Burlington Northern/Santa Fe and Union Pacific, both maintaining yards in Lincoln. AMTRAK provides daily passenger and package express services. Ground transportation is furnished by Greyhound/Black Hills Stage Lines, multiple taxi companies and local StarTran bus services.

The average commute in Lincoln is 19 minutes and nearly 18 percent of area commuters spend less than 10 minutes on the road.

Government Center

The State Capitol, an architectural achievement located in Lincoln, is considered one of the most impressive in all the 50 states. Other state governmental facilities in the City include the Nebraska Educational Telecommunications facility, the Nebraska Game and Parks Commission headquarters, the Lincoln Regional Center (state hospital), and the Nebraska Penal Complex.

Federal agencies in Lincoln include regional offices of the U.S. Department of Agriculture (Mid-West Regional Technical Service Center), the Immigration & Naturalization Service and the Veterans Administration, as well as the state offices of other federal agencies. There is also a U.S. Veterans Medical Facility.

Lancaster County offices are also located in Lincoln, the county seat.

Education

The University of Nebraska, with approximately 24,207 students, Nebraska Wesleyan University, with approximately 2,065 students, Union College, with approximately 881 students, Kaplan University, with approximately 462 students, Bryan LGH College of Health Sciences with approximately 714 students, and Southeast Community College, with approximately 10,168 students and with a number of facilities for both full-time and part-time occupational training, are located in the City of Lincoln. The City's modern and progressive school system, with an enrollment of over 36,943 is served by 6 high schools, 11 middle schools, and 37 elementary schools. Lincoln is home to over 30 private and parochial schools. Lincoln's private school offerings range from pre-K to high school institutions. Affiliations include Roman Catholic, Lutheran, SDA, and nondenominational Christians.

Building Permits and Property Values

LAST TEN YEARS

FISCAL YEAR	COMMERCIAL 1 CONSTRUCTION		RESIDENTIAL 1 CONSTRUCTION		PROPERTY VALUE 2		TOTALS
	# PERMITS	VALUE	# PERMITS	VALUE	COMMERCIAL	RESIDENTIAL	
2013	1,341	\$ 484,317,980	2,323	\$ 250,266,476	\$ 4,787,396,700	\$ 11,181,988,692	\$ 15,969,385,392
2012	1,372	338,918,061	2,319	186,712,560	4,476,953,562	10,745,000,908	15,221,954,470
2011	1,320	223,215,672	2,336	155,181,140	4,477,256,519	10,648,151,681	15,125,408,200
2010	1,234	241,509,266	2,225	116,914,465	4,438,463,100	10,546,474,527	14,984,937,627
2009	1,196	199,331,086	1,794	104,316,385	4,382,749,195	10,839,440,027	15,222,189,222
2008	1,064	274,267,477	2,261	149,678,215	4,246,365,596	10,723,170,809	14,969,536,405
2007	994	293,968,408	2,820	202,786,768	4,236,340,817	10,402,515,684	14,638,856,501
2006	1,088	263,006,153	3,150	195,885,622	3,814,534,869	9,083,290,211	12,897,825,080
2005	1,092	204,677,969	3,387	277,158,200	3,694,097,147	8,727,702,573	12,421,799,720
2004	1,061	258,670,339	3,846	321,126,701	3,598,787,015	8,402,403,364	12,001,190,379

¹ City of Lincoln, Building and Safety Department.

² Lancaster County Assessor.

Police and Fire Protection

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

City Employee Information

For the 2013-2014 fiscal year, contracts have been signed with all of our unions. Unions include: the Lincoln Police Union (LPU) representing police officers; the International Association of Firefighters (IAF) representing firefighters, the Amalgamated Transit Union (ATU) representing transit workers, the Public Association of Government Employees (PAGE) representing labor, trades, and clerical personnel, the City Employees Association (CEA) representing supervisory, highly technical, and professional personnel, and the Lincoln M Class Employees Association (LMCEA) representing upper management, administration and professional personnel. The ATU contract will expire at the end of August, 2016. All other contracts will expire at the end of August, 2014.

Since the inception of labor contracts in 1970, the City of Lincoln has been able to handle its labor relations in such a manner as to avoid interruptions, although it has been necessary to use the facilities of the Nebraska Commission of Industrial Relations on issues involving the International Association of Firefighters, International Brotherhood of Police Officers, and the Public Association of Government Employees.

SELECTED ECONOMIC INDICATORS

LINCOLN SMSA (LANCASTER COUNTY) NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT

	MAY 31, 2013		NOVEMBER 30, 2013	
	Number Employed	Percent of Total	Number Employed	Percent of Total
Industry Manufacturing:				
Durable Goods	8,515	4.6	8,612	4.6
Nondurable Goods	5,226	2.9	5,197	2.8
Total Industry Manufacturing	13,741	7.5	13,809	7.4
Nonmanufacturing:				
Natural Resource & Construction	7,693	4.2	7,785	4.2
Transportation, Communications & Utilities	10,813	5.9	10,828	5.8
Wholesale Trade	4,030	2.2	4,005	2.2
Retail Trade	18,704	10.2	19,981	10.8
Information	2,390	1.3	2,528	1.4
Finance, Insurance & Real Estate	14,250	7.8	14,321	7.7
Services (except domestic)	71,121	38.9	71,996	38.8
Government	40,147	22.0	40,393	21.7
Total Nonmanufacturing	169,148	92.5	171,837	92.6
TOTAL	182,889	100.0	185,646	100.0

Lincoln is proud to have some of the nation's leading industrial companies as local employers, including Goodyear Tire and Rubber Company, Burlington Northern Railroad, Archer-Daniels-Midlands Company, Kawasaki Motors Corporation USA, and Square D.

LINCOLN SMSA (LANCASTER COUNTY LABOR FORCE DATA 2012-2003) (For the Calendar Year Indicated)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Civilian Labor Force	166,510	163,015	160,286	159,692	160,601	157,841	156,204	156,033	156,100	154,720
Unemployment	5,919	6,578	6,801	6,940	4,837	4,365	4,308	5,603	5,470	5,686
Percent of Labor Force	3.6	4.0	4.2	4.3	3.0	2.8	2.8	3.6	3.5	3.7
Employment	160,591	156,437	153,485	152,752	155,764	153,476	151,896	150,430	150,630	149,034

STATE OF NEBRASKA

Percent of Labor Force										
Unemployment	3.9	4.4	4.7	4.7	3.3	3.0	3.0	3.9	3.9	4.0

Source: State of Nebraska, Department of Labor

* Labor Force Data for 2013 is unavailable at date of print

**LINCOLN PRINCIPAL EMPLOYERS
CURRENT YEAR**

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
State of Nebraska	8,899	1	4.90 %
Lincoln Public Schools	7,824	2	4.31
University of Nebraska-Lincoln	6,119	3	3.37
BryanLGH Medical Center	3,796	4	2.09
US Government	3,066	5	1.69
City of Lincoln	2,573	6	1.42
Saint Elizabeth Regional Medical Center	2,177	7	1.20
Burlington Northern Railroad	2,000	8	1.10
Madonna Rehabilitation Hospital	1,400	9	0.77
B&R Stores, Inc.	1,391	10	0.77
Total	39,245		21.62 %

**DEMOGRAPHIC STATISTICS
LAST TEN YEARS**

<u>Year</u>	<u>Population 1</u>	<u>Per Capita Personal Income 2</u>	<u>School Enrollment 3</u>
2013	265,404	\$	37,845
2012	262,341	41,584	36,902
2011	258,379	39,018	36,530
2010	254,001	37,231	35,896
2009	251,624	36,653	34,973
2008	248,744	38,204	34,061
2007	241,167	36,624	33,466
2006	239,213	35,251	32,934
2005	238,625	33,644	32,505
2004	236,146	32,907	32,270

Sources:

1 Lincoln/Lancaster Planning Department.

2 U.S. Dept. of Commerce Bureau of Economic Analysis.

Per Capital Income is based on Lincoln Metropolitan Statistical Area, which includes all of Lancaster and Seward Counties. Per Capita Income for 2013 is unavailable.

3 Lincoln Public Schools.

Median age from the 2010 census was 31.8. Education statistics per the 2010 Census indicate that 92.4% of the population 25 years and older has a high school degree or greater with 35.2% of the same population holding a Bachelor's degree or greater.

**LINCOLN UTILITY CUSTOMERS
LAST TEN YEARS**

<u>Year</u>	<u>Water Customers</u>	<u>Gas Customers</u>	<u>Electricity Customers</u>
2013	80,418	95,480	130,537
2012	79,698	94,592	129,163
2011	79,184	94,231	128,373
2010	78,740	93,916	129,322
2009	77,973	93,679	128,115
2008	77,532	93,419	126,978
2007	76,816	93,301	124,878
2006	75,919	92,824	123,376
2005	74,649	92,152	121,508
2004	73,059	91,046	119,456

Source: Indicated Utility Companies



SELECTED FINANCIAL STATISTICS

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION ¹ LAST TEN FISCAL YEARS

Fiscal Year	General Government	Public Safety	Streets And Highways	Culture And Recreation	Economic Opportunity	Health And Welfare	Mass Transit	Debt Service	Totals
2013	\$ 42,761,424	72,489,536	18,355,326	22,323,942	12,831,193	21,339,175	11,980,828	31,721,325	233,802,749
2012	39,048,320	70,444,362	18,471,067	22,518,532	14,673,671	22,070,619	10,288,935	31,689,831	229,205,337
2011	36,622,362	69,537,057	18,335,078	21,794,585	15,811,914	21,993,415	15,088,883	26,439,462	225,622,756
2010	35,865,006	64,679,523	19,832,223	21,483,873	15,359,628	21,652,729	12,034,413	17,032,401	207,939,796
2009	34,428,477	63,984,484	16,445,304	22,449,569	11,321,242	20,349,757	9,575,670	16,990,105	195,544,608
2008	35,278,575	61,147,903	16,482,240	21,686,564	14,685,668	21,053,132	10,707,601	14,427,795	195,469,478
2007	33,946,258	60,953,651	17,430,452	21,719,544	11,670,315	20,378,863	14,877,357	11,589,720	192,566,160
2006	34,666,641	60,064,604	16,928,575	20,938,212	12,623,307	25,566,267	8,901,327	11,016,269	190,705,202
2005	32,532,685	58,669,932	17,064,845	21,669,847	14,870,592	19,126,931	8,306,921	10,562,993	182,804,746
2004	30,884,544	55,272,920	13,633,902	22,308,940	14,728,510	18,544,667	10,525,090	7,914,521	173,813,094

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

GENERAL REVENUES BY SOURCE ¹ LAST TEN FISCAL YEARS

Fiscal Year	Taxes And Special Assessment	Inter-Governmental	Permits And Fees	Reimbursement For Services	Investment Earnings	Other	Totals
2013	\$ 166,316,730	81,340,882	22,936,015	8,341,522	1,732,354	12,037,497	292,705,000
2012	161,333,989	68,267,660	20,239,031	7,850,732	4,744,887	20,209,185	282,645,484
2011	144,632,640	71,532,824	18,524,372	7,521,366	5,454,877	11,279,552	258,945,631
2010	131,562,303	61,640,301	16,432,219	7,004,334	5,197,259	6,467,138	228,303,554
2009	130,360,416	75,099,973	17,119,002	6,600,299	5,791,391	7,818,015	242,789,096
2008	130,094,818	73,830,720	18,013,104	6,511,457	6,806,258	7,667,778	242,924,135
2007	125,328,388	63,928,043	19,126,239	6,491,112	10,371,565	7,052,107	232,297,454
2006	121,857,986	60,757,501	18,423,079	7,063,192	4,082,196	7,886,377	220,070,331
2005	119,318,079	63,180,171	16,535,049	6,936,334	4,327,311	12,028,417	222,325,361
2004	114,756,962	58,619,699	15,593,326	6,322,870	5,207,711	10,188,520	210,689,088

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

**SPECIAL ASSESSMENT COLLECTIONS
LAST TEN YEARS¹**

Fiscal Year Ended <u>August 31</u>	Special Assessment Collections <u>Including Interest</u>
2013	\$ 1,021,572
2012	1,151,931
2011	1,103,720
2010	1,136,150
2009	1,071,238
2008	1,418,936
2007	1,448,146
2006	1,667,037
2005	1,413,582
2004	2,104,925

¹ Special assessment collections are not tracked by levy year, therefore the portion of collections during any year that apply to any particular levy cannot be determined.

Authority to Levy Taxes

Article IX, Section 3 of the Home Rule Charter of the City provides that the City shall have power to levy a tax each year for general revenue purposes upon all property subject to taxation; provided that the maximum amount of taxes that can be levied by the City in any one year for general revenue purposes shall not exceed an amount known as the City tax limit. The City tax limit is a tax ceiling established by using the September 1, 1966 City dollar tax limit as an initial tax limit, and increasing that tax limit each year following 1966 by 7% so that in each fiscal year thereafter, the amount of the City tax limit shall be the amount of the city tax limit for the previous year, plus 7% thereof. In addition, the City also has the power to levy taxes each year sufficient to pay any judgment existing against the City and the interest on bonded debt and the principal on any bonded debt maturing during the fiscal year or within six months thereafter, as well as taxes authorized by state law. The City is also authorized to receive all taxes collected and distributed pursuant to state law and in lieu of tax payments imposed by law. The 2013 tax levy for the 2013-2014 fiscal year is \$116,668,431 below the legal limit, a tax rate per \$100 valuation of .31580. The assessed value upon which the 2013 levy is based is \$17,110,968,759. By charter, only 90% of the property tax levy may be appropriated.

For the 2013-2014 fiscal year the City is subject to a state imposed lid on the appropriation of “restricted funds”, that are revenues received from property tax, sales tax, state aid, in-lieu of tax and highway allocation fees. Bonded indebtedness, capital improvements, and costs associated with inter local agreements are exempt from the lid. For 2013-2014 the City can also use authority equal to the greater of 2.5% or the amount of real growth in the tax base that was 2.61%. An additional 1% can be authorized by a 75% vote of the City Council and was utilized for the 2013-2014 budget. The 2013-2014 budget is \$10,332,542 below the state imposed lid limit.

**PROPERTY TAX LEVIED AND COLLECTED
LAST TEN YEARS**

The fiscal year of the City begins September 1 and ends August 31. Taxes are levied in October. First installments of real estate taxes are delinquent the following April 1, second installments delinquent August 1; personal property taxes are delinquent April 1 and August 1. Delinquent taxes bear 14 percent interest. The figures below include interest and penalties. The figures below do not include motor vehicle in lieu of ad valorem taxes.

Tax Year	Taxes Levied	Collected As Of August 31 After Levy			Accumulated Collections As Of August 31, 2013	
		Amount	Percent		Amount	Percent
2013	\$ 52,644,511	\$ 51,226,109	97.31	%	\$ 51,226,109	97.31 %
2012	50,201,909	48,788,943	97.19		50,136,527	99.87
2011	45,620,336	44,206,917	96.90		45,561,885	99.87
2010	45,210,589	43,791,366	96.86		45,190,401	99.96
2009	45,885,354	44,385,970	96.73		45,878,646	99.99
2008	45,231,843	43,526,689	96.23		45,049,819	99.60
2007	43,339,708	41,815,295	96.48		43,314,104	99.94
2006	40,930,818	39,549,553	96.63		40,927,826	99.99
2005	38,793,370	37,488,504	96.64		38,749,283	99.89
2004	36,994,112	35,696,288	96.49		36,902,819	99.75

TEN LARGEST TAXPAYERS

Listed below are the ten largest taxpayers in the City of Lincoln as reported by the County Assessor. These taxpayers each pay less than five percent of the total taxes levied.

Taxpayers	Type of Business	2013 Assessed Valuations	Percentage Of Total Assessed Valuation
Burlington Northern	Railroad	\$ 86,771,479	0.52%
B & J Partnership Ltd.	Building Management	82,747,800	0.50%
Kawasaki	Manufacturing	69,833,590	0.42%
Chateau Van Dorn LLC	Real Estate Development	61,562,261	0.37%
Ameritas Life Insurance Corp	Insurance	59,752,377	0.36%
WEA Gateway LLC	Retail Management	58,201,700	0.35%
Nebco	Construction/Development	54,963,428	0.33%
BryanLGH	Hospital	46,119,400	0.28%
Pfizer	Animal Health	45,058,200	0.27%
Windstream	Telecommunications	44,654,631	0.27%
		\$ 609,664,866	3.67%

CITY SALES TAX INFORMATION

The City had a one percent (1%) sales and use tax through June 30, 1985. Effective July 1, 1985 the sales and use tax was raised to one and one half percent (1.5%). These taxes are administered and collected for the City by the State of Nebraska. The State receives three percent (3%) for their service. The City has had a sales tax since 1969.

SALES AND USE TAX COLLECTIONS LAST TEN YEARS

Year Ended August 31	Amount
2013	\$ 63,134,808
2012	61,472,342
2011	57,959,545
2010	54,925,013
2009	54,255,376
2008	55,733,297
2007	53,960,485
2006	54,270,346
2005	53,781,209
2004	51,869,477

GENERAL FUND TAX COLLECTIONS LAST TEN YEARS

Fiscal Year	Property and Motor Vehicle Taxes	Sales and Use Taxes	Sundry Taxes	Taxes In Lieu	Occupation Taxes	Total
2013	\$ 34,599,257	\$ 63,134,808	\$ 28,713	\$ 1,962,330	\$ 11,741,366	\$ 111,466,474
2012	33,574,992	61,472,342	31,610	1,936,396	12,583,795	109,599,135
2011	31,449,267	57,959,545	30,957	1,755,098	11,699,691	102,894,558
2010	31,486,553	54,925,013	11,895	1,620,431	10,467,534	98,511,426
2009	33,783,984	54,255,376	8,143	1,540,752	10,071,230	99,659,485
2008	32,181,660	55,733,297	18,600	1,511,404	9,670,060	99,115,021
2007	31,454,763	53,960,485	10,492	1,399,939	9,596,588	96,422,267
2006	28,366,526	54,270,346	9,526	1,315,038	8,936,502	92,897,938
2005	26,727,618	53,781,209	12,445	1,159,742	9,169,791	90,850,805
2004	24,546,532	51,869,477	9,263	1,144,747	9,037,781	86,607,800

**TAXABLE ASSESSED VALUATION
LAST TEN YEARS¹**

Tax Year		Real Estate		All Other		Total
2014	\$	16,366,307,281	\$	744,661,478	\$	17,110,968,759
2013		15,969,385,392		706,811,504		16,676,196,896
2012		15,221,954,470		678,874,343		15,900,828,813
2011		15,125,408,200		755,852,220		15,881,260,420
2010		14,984,937,627		761,515,955		15,746,453,582
2009		15,222,189,222		713,383,515		15,935,572,737
2008		14,969,536,405		684,390,085		15,653,926,490
2007		14,638,856,501		703,307,287		15,342,163,788
2006		12,897,825,080		685,425,215		13,583,250,295
2005		12,421,799,720		716,716,506		13,138,516,226

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

**TOTAL PROPERTY TAX LEVIES
ALL OVERLAPPING GOVERNMENTS
LAST TEN YEARS¹**

	Tax Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
City of Lincoln	0.3158	0.3158	0.2879	0.2879	0.2879	0.2879	0.2833	0.3009	0.2950	0.2903
School District No. 1	1.2447	1.2461	1.2462	1.2537	1.2668	1.2719	1.2764	1.3142	1.3141	1.3011
Lancaster County	0.2843	0.2683	0.2683	0.2683	0.2683	0.2755	0.2655	0.2841	0.2797	0.2683
Educational Service Unit #18	0.0150	0.0150	0.0145	0.0150	0.0150	0.0141	0.0141	0.0150	0.0150	0.0150
Community Technical College	0.0627	0.0627	0.0600	0.0676	0.0722	0.0689	0.0689	0.0696	0.0655	0.0655
Lower Platte South Natural Res. Dist.	0.0378	0.0398	0.0406	0.0410	0.0410	0.0418	0.0416	0.0422	0.0323	0.0323
Railroad Transportation Safety Dist.	0.0100	0.0260	0.0260	0.0260	0.0260	0.0260	0.0246	0.0260	0.0260	0.0248
Lancaster County Correctional JPA City	0.0177	0.0185	0.0189	0.0194	0.0195	-	-	-	-	-
Lancaster County Correctional JPA County	0.0099	0.0105	0.0106	0.0107	0.0106	-	-	-	-	-
Agricultural Society of Lancaster County	0.0015	0.0016	0.0017	0.0016	0.0015	0.0016	0.0016	0.0018	0.0020	0.0030
Lancaster County Fairgrounds	0.0037	0.0037	0.0038	0.0038	0.0038	0.0043	0.0037	0.0042	0.0042	0.0043
Public Building Commission	0.0167	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170
	<u>2.0198</u>	<u>2.0250</u>	<u>1.9955</u>	<u>2.0120</u>	<u>2.0296</u>	<u>2.0090</u>	<u>1.9967</u>	<u>2.0750</u>	<u>2.0508</u>	<u>2.0216</u>

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

DEBT MANAGEMENT

OUTSTANDING INDEBTEDNESS AS OF AUGUST 31, 2013

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

Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
General Obligation Bonds:							
General Bonds:							
9,950	06/15/05	Storm Sewer Construction	3.250 - 4.250	Serial 2006 to 2025	2015	Semiannually	6,795
8,295	06/27/07	Stormwater Drainage and Flood Mgmt	4.625 - 5.000	Serial 2008 to 2027	2017	"	6,590
8,200	02/10/11	Stormwater Bonds	2.000 - 4.500	Serial 2013 to 2030	2020	"	7,835
19,290	06/21/11	Refunding	0.2000 - 5.000	Serial 2011 to 2022	2019	"	16,710
8,090	06/26/12	Refunding	1.000 - 3.000	Serial 2013 to 2023	na	"	7,185
6,385	03/20/13	Stormwater Bonds	2.000 - 4.000	Serial 2014 to 2029	2023	"	6,385
1,515	03/20/13	Stormwater Bonds	3.125	Term 2032	2023	"	1,515
Total General Bonds							<u>\$ 53,015</u>
Tax Allocation Bonds:							
5,500	04/21/04	Tax Allocation Bonds	3.000 - 4.800	Serial 2004 to 2015	2010	"	1,930
365	08/15/05	Tax Allocation Bonds	4.750	Serial 2006 to 2018	Anytime	"	157
288	10/01/06	Tax Allocation Bonds	5.100	Serial 2008 to 2016	Anytime	"	124
2,205	04/05/07	Tax Allocation Bonds	5.000 - 5.550	Serial 2009 to 2018	2012	"	1,455
601	06/01/07	Tax Allocation Bonds	5.240	Serial 2008 to 2018	Anytime	"	535
388	06/01/07	Tax Allocation Bonds	5.240	Serial 2007 to 2020	Anytime	"	248
369	06/15/07	Tax Allocation Bonds	5.400	Serial 2007 to 2014	Anytime	"	86
42	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2021	Anytime	"	31
71	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2017	Anytime	"	53
474	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2022	Anytime	"	225
547	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	400
200	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	144
611	06/30/09	Tax Allocation Bonds	7.00	Serial 2011 to 2023	Anytime	"	573
3,375	07/28/09	Tax Allocation Bonds	2.500 - 6.400	Serial 2011 to 2023	Anytime	"	2,970
263	04/01/11	Tax Allocation Bonds	3.990	Serial 2011 to 2022	Anytime	"	224
103	04/15/13	Tax Allocation Bonds	2.370	Serial 2013 to 2025	Anytime	"	99
Total Tax Allocation Bonds							<u>\$ 9,254</u>
Tax Supported Bonds:							
27,000	12/05/06	Highway Allocation Fund	4.000 - 5.000	Serial 2008 to 2027	2016	Semiannually	21,030
28,095	06/06/12	Highway Allocation Fund	1.000 - 5.000	Serial 2012 to 2023	na	"	27,135
16,515	07/23/13	Limited Tax Arena Bonds	2.000 - 4.500	Serial 2016 to 2031	2023	"	16,515
2,635	07/23/13	Limited Tax Arena Bonds	2.000 - 4.500	Term 2035	2023	"	2,635
5,850	07/23/13	Limited Tax Arena Bonds	2.000 - 4.500	Term 2037	2023	"	5,850
Total Tax Supported Bonds							<u>\$ 73,165</u>
Special Assessment Bonds:							
825	8/18/11	Special Assessment	0.400 - 3.700	Serial 2012 to 2026		Semiannually	725
375	8/18/11	Special Assessment	4.200	Term 2031		"	375
3,000	11/23/11	Special Assessment	2.000 - 3.500	Serial 2012 to 2031		"	2,740
Total Special Assessment Bonds							<u>\$ 3,840</u>
West Haymarket Joint Public Agency							
31,515	9/8/10	Facility Bonds Taxable Build America Bonds	3.500 - 4.45	Serial 2020 to 2030	Anytime	Semiannually	31,515
68,485	9/8/10	Facility Bonds Taxable Build America Bonds	4.750 / 5.000	Term 2035 & 2045	Anytime	"	68,485
15,785	12/01/10	Facility Bonds Taxable Build America Bonds	4.000 - 5.000	Serial 2020 - 2025	Anytime	"	15,785
52,180	12/01/10	Facility Bonds Taxable Build America Bonds	5.400 / 5.800 / 6.000	Term 2030 2035 2039	Anytime	"	52,180
32,035	12/01/10	Recovery Zone Economic Development	6.750	Term 2045	Anytime	"	32,035
44,290	8/24/11	Facility Bonds	3.500 - 5.000	Serial 2021 to 2032	2021	"	44,290
55,710	8/24/11	Facility Bonds	4.250 / 5.000	Term 2036 & 2042	2021	"	55,710
Total West Haymarket Joint Public Agency							<u>\$ 300,000</u>
TOTAL GENERAL OBLIGATION BONDS							<u>\$ 439,274</u>
Tax Supported Bonds:							
11,080	3/13/02	Antelope Valley Project	1.500 - 5.000	Serial 2002 to 2016	2012	Semiannually	<u>\$ 4,470</u>
Revenue Bonds:							
18,000	08/03/05	Wastewater Revenue	4.000 - 5.000	Serial 2006 to 2030	2015	Semiannually	\$ 13,900
16,710	04/18/07	Wastewater Revenue	4.000 - 4.500	Serial 2008 to 2029	2017	"	13,595
3,750	04/18/07	Wastewater Revenue	4.375	Term 2032	2017	"	3,750
38,290	05/24/12	Wastewater Revenue	1.000 - 5.000	Serial 2013 to 2028	2023	"	36,325
Total Wastewater Bonds							<u>\$ 67,570</u>
10,515	08/04/09	Water Revenue	2.000 - 4.125	Serial 2013 to 2029	2019	Semiannually	10,050
4,905	08/04/09	Water Revenue	4.5000	Term 2034	2019	"	4,905
10,895	06/21/12	Water Revenue Refunding	1.000 - 4.000	Serial 2013 to 2022	N/A	"	9,885
28,595	05/30/13	Water Revenue Refunding	1.000 - 5.000	Serial 2013 to 2025	2023	"	28,220
Total Water Bonds							<u>\$ 53,060</u>
2,065	12/29/10	Parking Revenue	1.250 - 2.850	Serial 2011 to 2014	N/A	"	600
7,745	01/27/11	Parking Revenue and Refunding	2.000 - 5.000	Serial 2015 to 2024	2021	"	7,745
10,775	01/27/11	Parking Revenue and Refunding	5.000 / 5.125 / 5.500	Term 2026 & 2031	2021	"	10,775
9,315	11/29/12	Parking Revenue and Refunding	4.00 - 4.000	Serial 2013 to 2027	2022	"	8,630
2,765	11/29/12	Parking Revenue and Refunding	3.00	Term 2032	2022	"	2,765
Total Parking Bonds							<u>\$ 30,515</u>
8,340	02/26/13	Solid Waste Management Revenue and Refunding	.250 - 4.000	Serial 2013 to 2029	2023	Semiannually	<u>\$ 7,865</u>
93,045	10/01/03	Electric Revenue and Refunding Bonds	3.000 - 5.000	Serial 2004 to 2026	2014	"	10,330
53,710	10/01/05	Electric Revenue Bonds	4.750	Term 2035	2015	"	53,710
183,230	05/15/07	Electric Revenue and Refunding Bonds	4.000 - 5.000	Serial 2009 to 2035	2016	"	168,285
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	2016	"	247,150
30,165	08/15/12	Electric Revenue and Refunding Bonds	3.625 - 5.000	Term 2037	2016	"	30,165
Total Electric Bonds							<u>\$ 591,490</u>
TOTAL REVENUE BONDS							<u>\$ 750,500</u>

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

Fiscal Year Ended August 31	Governmental Activities					
	General Obligation Bonds		Tax Supported Bonds		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 8,883	20,158	780	200	4,812	1,163
2015	9,593	19,915	815	162	5,347	1,047
2016	10,863	19,574	855	122	5,195	902
2017	9,987	19,225	2,020	51	3,580	765
2018	10,204	18,881	-	-	2,920	658
2019-2023	69,100	87,819	-	-	10,694	2,119
2024-2028	71,239	71,698	-	-	6,220	575
2029-2033	65,095	56,927	-	-	275	20
2034-2038	71,235	40,760	-	-	-	-
2039-2043	79,245	21,177	-	-	-	-
2044-2046	33,830	3,032	-	-	-	-
	<u>439,274</u>	<u>379,166</u>	<u>4,470</u>	<u>535</u>	<u>39,043</u>	<u>7,249</u>

Fiscal Year Ended August 31	Business-Type Activities					
	Revenue Bonds		Loans Payable		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 28,655	32,544	532	375	450	46
2015	29,895	31,679	888	715	399	36
2016	31,075	30,446	1,280	695	346	29
2017	33,060	29,201	1,309	666	352	23
2018	34,445	27,763	1,339	637	202	17
2019-2023	163,835	115,149	7,172	2,707	640	32
2024-2028	136,525	82,691	7,263	1,828	-	-
2029-2033	135,440	52,405	7,295	832	-	-
2034-2038	157,570	22,392	1,926	64	-	-
	<u>\$ 750,500</u>	<u>424,270</u>	<u>29,004</u>	<u>8,519</u>	<u>2,389</u>	<u>183</u>

Fiscal Year Ended August 31	Major Enterprise Funds					
	Wastewater System		Water System		Electric System	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 3,619	3,014	3,685	1,755	19,865	26,780
2015	3,695	2,977	4,060	1,990	21,060	26,083
2016	4,202	2,808	4,100	1,919	22,050	25,093
2017	4,361	2,631	4,161	1,847	23,800	24,109
2018	4,444	2,525	4,268	1,711	24,990	22,919
2019-2023	24,099	10,538	21,910	6,131	114,230	95,835
2024-2028	28,259	5,661	11,119	2,758	93,100	72,801
2029-2033	11,573	1,198	7,498	1,224	115,905	50,093
2034-2037	1,308	50	1,698	63	156,490	22,343
	<u>\$ 85,560</u>	<u>31,402</u>	<u>62,499</u>	<u>19,398</u>	<u>591,490</u>	<u>366,056</u>

The City issues general obligation, special assessment, and revenue bonds to finance the acquisition and construction of major capital assets. Bonded indebtedness has also been entered into to advance refund several general obligation and revenue bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Special assessment bonds are repaid from amounts levied against affected property owners, but in the unlikely event collections are not sufficient to make debt payments, the responsibility rests with the City to meet that obligation. For revenue bonds the government pledges income derived from the acquired or constructed assets to pay the debt service.

Net assets of \$4,413,826, \$3,293,427, \$10,244,591, and \$572,805 are currently available in the debt service funds to service the General Obligation Bonds, Tax Supported Bonds, Tax Allocation Bonds, and Special Assessment Bonds, respectively. Revenue Bonds are funded partially from reserve accounts set up for debt repayment and partially from proceeds of daily operations.

The City has entered into lease agreements for financing the acquisition of land, buildings, street lights, emergency ambulances and defibrillators, fire engines, golf equipment and computer equipment and software. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future

minimum lease payments as of the inception date. Assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Land	\$ 1,774,450	\$ 210,000
Buildings	19,902,404	1,576,024
Improvements	219,925	-
Infrastructure	17,442,628	-
Machinery and Equipment	6,383,372	3,438,897
Construction In Progress	5,367,422	
Less Accumulated Depreciation, (where applicable)	(8,610,204)	(2,249,521)
Total	\$ 42,479,997	\$ 2,975,400

Under the City's Home Rule Charter, there is no legal debt limit. The various bond indentures contain significant limitations and restrictions on annual debt service requirements, minimum amounts to be maintained in various bond reserve funds, and minimum revenue bond coverage.

The general obligation debt of all local governmental units which provide services within the City's boundaries and which debt must be borne by properties in the City (commonly called overlapping debt) as of August 31, 2013, is summarized below (unaudited):

<u>Governmental Units</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Direct And Overlapping Debt To The City</u>
Direct:			
City	\$ 494,397,000	100.0 %	\$ 494,397,000
Overlapping:			
School District #1	335,223,000	99.5	333,547,000
Lower Platte South N.R.D.	-	75.4	-
Lancaster County	725,000	85.4	619,000
Public Building Commission	36,610,000	85.4	31,265,000
Lancaster County Correctional Facility	54,620,000	85.4	46,645,000
Lancaster County Fairgrounds	7,740,000	85.4	6,610,000
	434,918,000		418,686,000
Total	\$ 929,315,000		\$ 913,083,000

The City has no direct liability for the School District, Lower Platte South N.R.D., Lancaster County, Public Building Commission, Lancaster County Fairgrounds or Lancaster County Correctional Facility debt summarized above. This results in a per capita direct City debt of \$1,862.81; a per capita direct and overlapping debt of \$3,440.35; a ratio of direct City debt to 2013 actual valuation of 2.96 percent; and a ratio of direct and overlapping debt to 2013 actual valuation of 5.48 percent.

In addition to the governmental units listed above, the Airport Authority of the City of Lincoln, Nebraska (the "Airport Authority"), a body politic and corporate separate and distinct from the City of Lincoln, provides services within the City's boundaries and has overlapping general obligation indebtedness. As of June 30, 2013, the Airport Authority had outstanding \$12,870,000 in aggregate principal amount of its general obligation airport bonds. The Airport Authority anticipates that such bonds will be paid from revenues derived from its operations of the Lincoln Municipal Airport, but the Airport Authority is authorized to levy a property tax, at a rate not to exceed three and five-tenths cents (\$.035) on each \$100 of taxable valuation, on all the taxable property in the City. The Airport Authority has not levied a property tax since 1985 for any purpose, including airport operating expenses or debt service on its bonds.

Debt Payment Record

The City of Lincoln has never defaulted on its obligation to pay principal or interest on its indebtedness.

Contingencies

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

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES LAST TEN FISCAL YEARS

Fiscal Year	Principal	Interest ²	Total Debt Service	Total General Governmental Expenditures ¹	Ratio Of Debt Service To Total General Expenditures
2013	\$ 8,427,726	\$ 4,266,429	\$ 12,694,155	\$ 233,802,749	5.43 %
2012	7,485,645	5,123,060	12,608,705	229,205,337	5.50
2011	6,857,978	5,147,840	12,005,818	225,622,756	5.32
2010	7,457,532	5,676,933	13,134,465	207,939,796	6.32
2009	8,036,544	5,814,071	13,850,615	195,544,608	7.08
2008	6,824,828	5,979,172	12,804,000	195,469,478	6.55
2007	5,617,536	4,986,687	10,604,223	192,566,160	5.51
2006	5,770,794	4,670,734	10,441,528	190,705,202	5.48
2005	5,421,699	4,860,926	10,282,625	182,804,746	5.62
2004	4,934,224	2,893,437	7,827,661	173,813,094	4.50

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

² Does not include fiscal and miscellaneous charges.

SCHEDULE OF GENERAL OBLIGATION DEBT IN RELATION TO POPULATION, ASSESSED VALUATION, AND REAL PROPERTY VALUATION LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonded Debt	Sinking Funds	Net General Obligation Bonded Debt	Population ¹	Net G.O. Bonded Debt Per Capita	Assessed Valuation Real And Personal	Ratio of Net Debt To Assessed Valuation Real & Personal ²	Assessed Valuation Of Taxable Real Property ²	Ratio of Net Debt To Estimated Valuation Of Taxable Real Property
2013	\$ 139,274,000	\$ 15,640,000	\$ 123,634,000	265,404	\$ 465.83	\$ 16,676,196,896	0.74%	\$ 15,969,385,392	0.77%
2012	113,958,000	15,142,000	98,816,000	262,341	376.67	15,900,828,813	0.62%	15,221,954,470	0.65%
2011	119,663,000	13,305,000	106,358,000	258,379	411.64	15,881,260,420	0.67%	15,125,408,200	0.70%
2010	118,383,000	13,480,000	104,903,000	254,001	413.00	15,746,453,582	0.67%	14,984,937,627	0.70%
2009	125,181,000	13,604,000	111,577,000	251,624	443.43	15,935,572,737	0.70%	15,222,189,222	0.73%
2008	128,581,000	12,962,000	115,619,000	248,744	464.81	15,653,926,490	0.74%	14,969,536,405	0.77%
2007	133,413,000	11,574,000	121,839,000	241,167	505.21	15,342,163,788	0.79%	14,638,856,501	0.83%
2006	99,347,000	9,733,000	89,614,000	239,213	374.62	13,583,250,295	0.66%	12,897,825,080	0.69%
2005	104,538,000	13,364,000	91,174,000	238,625	382.08	13,138,516,226	0.69%	12,421,799,720	0.73%
2004	98,915,000	20,509,000	78,406,000	236,146	332.02	12,744,105,392	0.62%	12,001,190,379	0.65%

¹ Source: Lincoln/Lancaster Planning Department.

² Assessed valuation is 100% of actual

**REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS**

		Gross	Direct	Net	Debt Service Requirements			
		Revenue	Operating Expenses	Available Revenue	Principal	Interest	Total	Coverage
Wastewater System								
2013	\$	24,988,275	12,522,159	12,466,116	3,487,906	3,089,698	6,577,604	1.90
2012		24,763,975	12,378,673	12,385,302	3,137,858	3,655,156	6,793,014	1.82
2011		23,546,370	12,543,964	11,002,406	2,865,000	3,647,609	6,512,609	1.69
2010		22,472,095	11,664,593	10,807,502	2,695,000	3,731,444	6,426,444	1.68
2009		22,643,270	11,771,291	10,871,979	2,620,000	3,820,044	6,440,044	1.69
2008		22,347,867	11,393,624	10,954,243	2,415,000	4,030,454	6,445,454	1.70
2007		21,158,743	11,462,964	9,695,779	2,005,000	3,081,481	5,086,481	1.91
2006		19,827,194	11,125,819	8,701,375	2,065,000	3,043,500	5,108,500	1.70
2005		18,248,683	10,482,955	7,765,728	1,500,000	2,403,519	3,903,519	1.99
2004		18,092,619	10,042,919	8,049,700	1,750,000	2,133,704	3,883,704	2.07
Water System								
2013	\$	34,241,815	16,113,390	18,128,425	1,850,000	2,345,562	4,195,562	4.32
2012		35,984,891	15,636,494	20,348,397	5,380,000	2,955,202	8,335,202	2.44
2011		30,629,506	15,455,027	15,174,479	6,310,000	3,191,857	9,501,857	1.60
2010		26,515,467	14,091,292	12,424,175	6,050,000	3,458,097	9,508,097	1.31
2009		27,838,187	14,995,077	12,843,110	5,795,000	3,128,414	8,923,414	1.44
2008		27,257,184	14,425,521	12,831,663	5,555,000	3,376,201	8,931,201	1.44
2007		29,386,495	14,351,136	15,035,359	5,340,000	3,612,001	8,952,001	1.68
2006		29,014,999	13,808,214	15,206,785	5,130,000	3,834,301	8,964,301	1.70
2005		27,153,937	13,145,665	14,008,272	4,895,000	3,517,932	8,412,932	1.67
2004		24,557,918	12,477,486	12,080,432	3,115,000	2,411,632	5,526,632	2.19
Parking Facilities ¹								
2013	\$	8,444,055	3,919,678	4,524,377	1,270,000	1,091,614	2,361,614	1.92
2012		7,382,101	3,823,131	3,558,970	860,000	1,078,688	1,938,688	1.84
2011		7,698,018	3,606,008	4,092,010	580,000	689,717	1,269,717	3.22
2010		6,869,392	3,340,601	3,528,791	1,435,000	558,519	1,993,519	1.77
2009		7,014,250	2,874,768	4,139,482	1,360,000	624,394	1,984,394	2.09
2008		7,134,709	2,912,511	4,222,198	1,305,000	687,194	1,992,194	2.12
2007		6,645,013	2,781,952	3,863,061	1,240,000	746,374	1,986,374	1.94
2006		6,785,593	2,775,122	4,010,471	1,185,000	799,931	1,984,931	2.02
2005		6,219,935	2,972,709	3,247,226	1,140,000	850,501	1,990,501	1.63
2004		6,299,598	2,733,492	3,566,106	1,145,000	908,456	2,053,456	1.74
Solid Waste Management								
2013	\$	7,933,037	7,087,935	845,102	475,000	133,463	608,463	1.39
2012		7,745,565	6,376,120	1,369,445	220,000	124,025	344,025	3.98
2011		7,615,130	6,253,133	1,361,997	210,000	132,425	342,425	3.98
2010		7,377,385	5,768,077	1,609,308	200,000	140,425	340,425	4.73
2009		7,664,336	5,491,789	2,172,547	195,000	148,225	343,225	6.33
2008		8,537,520	5,540,292	2,997,228	190,000	155,825	345,825	8.67

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

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

	F.Y. 2013	F.Y. 2012	F.Y. 2011	F.Y. 2010	F.Y. 2009	F.Y. 2008	F.Y. 2007	F.Y. 2006	F.Y. 2005	F.Y. 2004
Cash & Investment Balance - September 1 of Year Indicated	22,789,222	16,942,409	14,597,487	16,286,626	15,738,481	14,632,274	13,475,643	18,948,253	23,521,130	26,784,845
Receipts:										
Property Tax	34,599,257	33,574,992	31,449,267	31,486,553	33,783,984	32,181,660	31,454,763	28,366,526	26,727,618	24,546,532
City Sales & Use Tax	63,134,808	61,472,342	57,959,545	54,925,013	54,255,376	55,733,297	53,960,485	54,270,346	53,781,209	51,869,477
Other Income	36,298,994	36,542,477	33,232,580	27,906,103	27,389,492	26,270,119	27,663,641	25,390,112	25,620,145	23,615,320
Total Receipts	134,033,059	131,589,811	122,641,392	114,317,669	115,428,852	114,185,076	113,078,889	108,026,984	106,128,972	100,031,329
Less Disbursements	130,890,260	125,742,998	120,296,470	116,006,808	114,880,707	113,078,869	111,922,258	113,499,594	110,701,849	103,295,044
Cash & Investment Balance - August 31 of Year Indicated	<u>25,932,021</u>	<u>22,789,222</u>	<u>16,942,409</u>	<u>14,597,487</u>	<u>16,286,626</u>	<u>15,738,481</u>	<u>14,632,274</u>	<u>13,475,643</u>	<u>18,948,253</u>	<u>23,521,130</u>

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

	F.Y. 2013	F.Y. 2012	F.Y. 2011	F.Y. 2010	F.Y. 2009	F.Y. 2008	F.Y. 2007	F.Y. 2006	F.Y. 2005	F.Y. 2004
Cash Balance - September 1 of Year Indicated	3,929,968	2,234,981	2,941,245	3,533,968	4,201,889	4,057,088	2,761,491	3,364,608	3,570,557	2,935,997
Receipts:										
Property Tax	5,594,005	5,773,392	5,337,610	5,517,878	5,689,007	5,709,454	5,460,690	2,973,410	5,607,615	5,387,468
Interest Income	8,507	13,723	28,331	60,063	131,475	153,977	84,935	86,812	83,286	48,595
Bond Proceeds		8,369,497	20,236,484						6,597,635	
Other Income	104,162	110,962	116,758	124,279	173,446	1,003,173	1,927,112	2,935,603	149,038	691,340
Total Receipts	5,706,674	14,267,574	25,719,183	5,702,220	5,993,928	6,866,604	7,472,737	5,995,825	12,437,574	6,127,403
Disbursements:										
Bonds Paid	4,225,000	2,390,000	2,720,000	4,110,000	4,320,000	4,260,000	3,950,000	4,250,000	3,850,000	3,215,000
Bonds Defeased										
Interest Paid	1,521,904	1,822,197	1,753,957	2,178,545	2,335,411	2,456,373	2,217,610	2,342,582	2,197,207	2,271,548
Transfer to Trustee		8,242,367	21,746,822						6,504,876	
Other Disbursements	6,501	118,023	204,668	6,398	6,438	5,430	9,530	6,360	91,440	6,295
Total Disbursements	5,753,405	12,572,587	26,425,447	6,294,943	6,661,849	6,721,803	6,177,140	6,598,942	12,643,523	5,492,843
Equity Transfer										
Cash Balance - August 31 of Year Indicated	3,883,237	3,929,968	2,234,981	2,941,245	3,533,968	4,201,889	4,057,088	2,761,491	3,364,608	3,570,557

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

	F.Y. 2013	F.Y. 2012	F.Y. 2011	F.Y. 2010	F.Y. 2009	F.Y. 2008	F.Y. 2007	F.Y. 2006	F.Y. 2005	F.Y. 2004
Cash & Investment Balance - September 1 of Year Indicated	2,348,773	759,180	4,302,257	4,161,711	11,148,146	9,991,053	8,846,000	7,583,251	7,830,502	6,910,967
Receipts:										
Special Assessment Collections	941,365	1,049,570	996,209	984,301	954,672	1,235,621	1,257,112	1,476,284	1,208,686	1,654,695
Interest on Special Assessments	78,642	98,844	106,379	148,383	112,749	179,258	188,349	189,927	204,108	267,298
City's Share of Costs	1,205,443	621,898	233,615	292,420	34,802		187,957	723,038	578,992	116,009
Developers' Share of Costs										
Bond Proceeds		3,036,003	1,200,000							
Interest on Investments	41,212	47,349	60,248	135,149	335,273	453,282	340,274	254,809	217,996	140,289
Miscellaneous			38,456			33,964	49,403	74,657	30,687	288,482
Total Receipts	<u>2,266,662</u>	<u>4,853,664</u>	<u>2,634,907</u>	<u>1,560,253</u>	<u>1,437,496</u>	<u>1,902,125</u>	<u>2,023,095</u>	<u>2,718,715</u>	<u>2,240,469</u>	<u>2,466,773</u>
Disbursements:										
Construction Costs	901,811	2,359,096	2,081,765	1,113,691	861,203	742,698	766,768	1,066,513	1,796,239	1,399,323
Bonds Paid	170,000	190,000					55,000		100,000	105,000
Equity Transfer					7,554,009					
Interest Paid on Bonds & Notes	114,722	94,911	3,758,342				37,581		3,425	10,420
Other Refunds & Expenses	<u>919,415</u>	<u>620,064</u>	<u>337,877</u>	<u>306,016</u>	<u>8,719</u>	<u>2,334</u>	<u>18,693</u>	<u>389,453</u>	<u>588,056</u>	<u>32,495</u>
Total Disbursements	<u>2,105,948</u>	<u>3,264,071</u>	<u>6,177,984</u>	<u>1,419,707</u>	<u>8,423,931</u>	<u>745,032</u>	<u>878,042</u>	<u>1,455,966</u>	<u>2,487,720</u>	<u>1,547,238</u>
Cash & Investment Balance - August 31 of Year Indicated	<u><u>2,509,487</u></u>	<u><u>2,348,773</u></u>	<u><u>759,180</u></u>	<u><u>4,302,257</u></u>	<u><u>4,161,711</u></u>	<u><u>11,148,146</u></u>	<u><u>9,991,053</u></u>	<u><u>8,846,000</u></u>	<u><u>7,583,251</u></u>	<u><u>7,830,502</u></u>

APPENDIX B

**FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR
ENDED AUGUST 31, 2013, TOGETHER WITH AUDITORS' REPORT THEREON**

Comprehensive **ANNUAL**



CITY OF
LINCOLNTM
NEBRASKA

FINANCIAL REPORT

Fiscal Year Ended August 31, 2013

On the cover:

Scenes from the West Haymarket area. Photos provided by WRK Real Estate.

COMPREHENSIVE
ANNUAL FINANCIAL REPORT

OF THE
CITY OF LINCOLN, NEBRASKA

FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

Prepared by:

The Accounting Division of the Finance Department

INTRODUCTORY SECTION

OFFICIALS OF THE CITY OF LINCOLN

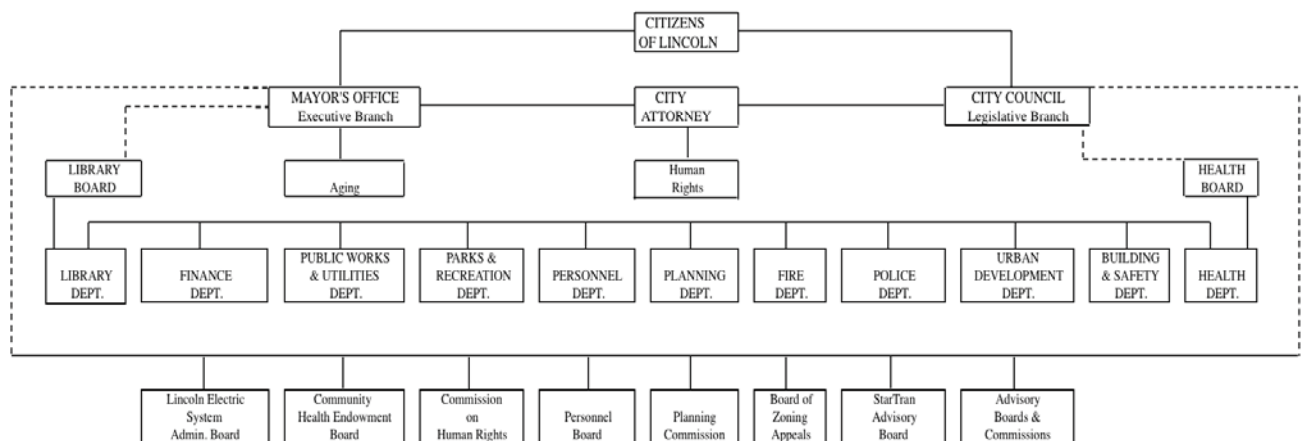
Chris Beutler Mayor
 Carl Eskridge.....Chair, City Council
 Doug Emery Vice Chair, City Council
 Jon Camp..... Council Member
 Roy Christensen Council Member
 Jonathan Cook Council Member
 Trent Fellers Council Member
 Leirion Gaylor Baird Council Member

* * * * *

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

* * * * *

CITY OF LINCOLN ORGANIZATION CHART



**CITY OF LINCOLN, NEBRASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2013
TABLE OF CONTENTS**

INTRODUCTORY SECTION

Page

Title Page	
Officials of The City of Lincoln	i
City of Lincoln Organization Chart	i
Table of Contents	ii
Letter of Transmittal from the Mayor	vi
Letter of Transmittal from the Finance Director	vii
Certificate of Achievement for Excellence in Financial Reporting	xvi

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet – Governmental Funds	18
Statement of Revenues, Expenditures, and Changes in Fund Balances	
– Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures, and Changes in Fund Balances	
– Budget and Actual (Budget Basis) – General Fund	21
Statement of Revenues, Expenditures, and Changes in Fund Balances	
– Budget and Actual (Budget Basis) – Street Construction Fund	23
Statement of Net Position – Proprietary Funds	24
Statement of Revenues, Expenses, and Changes in Fund Net Position	
– Proprietary Funds	25
Statement of Cash Flows – Proprietary Funds	26
Statement of Fiduciary Net Position – Fiduciary Funds	27
Statement of Changes in Fiduciary Net Position – Fiduciary Fund	28
Notes to the Financial Statements:	
	<u>Note</u>
Summary of Significant Accounting Policies	1..... 30
Reconciliation of Government-wide and Fund Financial Statements	2..... 38
Restricted Assets	3..... 39
Deposits and Investments	4..... 39
Fund Balances	5..... 44
Receivables and Due From Other Governments	6..... 45
Capital Assets	7..... 46
Interfund Balances and Activity	8..... 49
Debt Obligations	9..... 50
Reconciliation of Budget Basis to GAAP	10..... 56
Deficit Net Position	11..... 56
Excesses of Expenditures Over Appropriations	12..... 57
Employees' Retirement Plans	13..... 57
Other Postemployment Benefits (OPEB)	14..... 60
Property Taxes	15..... 61
Risk Management	16..... 62
Commitments and Contingencies	17..... 63
Landfill Closure and Postclosure Care Costs	18..... 65
Segment Information	19..... 65
Pledged Revenues	20..... 67
Public Building Commission	21..... 67

	<u>Note</u>	<u>Page</u>
Joint Antelope Valley Authority	22.....	68
Jointly Owned Facilities.....	23.....	69
Jointly Governed Organizations.....	24.....	69
Subsequent Events	25.....	70
Required Supplementary Information:		
Schedule of Funding Progress for PFDP Pension.....		71
Schedule of Employer Contributions for PFDP Pension		71
Schedule of Funding Progress for City OPEB		71



February 25, 2014

Dear Citizens and Public Officials:

It is my pleasure to submit the City of Lincoln's Comprehensive Annual Financial Report for the fiscal year ended August 31, 2013.

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

Our ability to manage the City's fiscal affairs and provide a full disclosure of the City's fiscal condition is exhibited by the unqualified audit opinion that follows. I am proud to report that the 2012 report submitted to the Government Finance Officers Association was recognized with the prestigious Certificate of Achievement for Excellence in Financial Reporting for the 30th consecutive year. This recognition is a credit to the City and a compliment to our dedicated Finance Department.

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

Sincerely,



Chris Beutler
Mayor of Lincoln

February 25, 2014

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

Both the City Charter and State law require an annual audit of the City's funds and accounts be made by a recognized independent and qualified accountant covering all financial transactions, affairs, and financial condition of the City, with the audit report published within six months after the close of the fiscal year. Pursuant to this requirement, the Comprehensive Annual Financial Report (CAFR) of the City of Lincoln, Nebraska for the fiscal year ended August 31, 2013, is hereby submitted.

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

As a recipient of federal, state and local financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. The federal government, under the revised OMB Circular A-133, requires local governments that expend \$500,000 or more in federal funds in any fiscal year to have a financial and compliance audit performed. As part of the City's Single Audit, tests were made of the City's internal control structure over compliance and its compliance with applicable laws and regulations, including those related to major federal financial assistance programs. The Single Audit for the year ended August 31, 2013, disclosed no material internal control weaknesses. The independent auditor's reports are included in the Single Audit section found at the end of the CAFR.

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

A firm of licensed certified public accountants has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering unmodified opinions that the City's financial statements for the fiscal year ended August 31, 2013, are fairly presented in conformity with GAAP.

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

Profile of the City

The City of Lincoln, capital city of Nebraska, was originally incorporated on April 7, 1869. Lincoln is located in the southeastern corner of the state, is midway between Chicago and Denver, and is currently one of the fastest growing metro areas in the Midwest. It occupies a land area of approximately 90 square miles, serves a population of over 265,000, and in its growth and development has annexed five other municipalities so that the City includes most of the urban area of Lancaster County. It enjoys a unique position in Nebraska as the center of the state's governmental and educational activities.

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

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

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

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

Economic Condition and Outlook

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

The Lincoln metropolitan area population base (Lancaster County) continues to demonstrate a pattern of sustained growth. According to the U. S. Census figures, Lancaster County's rate of growth between 2000 and 2012 has been 16.7 percent or approximately 1.29 percent per year. The 2012 population of Lancaster County has been estimated to be in excess of 293,000 persons.

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

Lincoln's unemployment rate at August 31, 2013, was 3.3%, well below the national average of 7.85%, with employment strongest in the categories of government, educational & health services, and retail trade. Lincoln's current number of construction permits is up 10% when compared to levels 5 years ago, with an increase in the value of construction permits of over \$311 million.

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

Net sales and use tax revenue increased \$1,155,586 or 1.9% from the previous fiscal year. In relation to this primary revenue source, the City is seeing signs of recovery from the negative economic factors that have affected the local and national economies.

Long-Term Planning and Major Initiatives

Urban Development

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

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

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

Ongoing and anticipated future projects include:

- Downtown Redevelopment Projects:
 - 1) Civic Plaza 13th & P Street project.
 - 2) West Haymarket Residential/Retail/Hotel project.
 - 3) West Haymarket Office/Retail project.
 - 4) Construction of Lumberworks parking garage.
 - 5) Telesis/Meadow Gold project.
 - 6) Haymarket Hotel and Tool House.
 - 7) N Street bikeway project.
 - 8) P Street Retail Corridor & Streetscape.
 - 9) Centennial Mall project.
 - 10) 17th & Q/Credit Union project.
 - 11) Replace downtown meters with advanced technology.
 - 12) Landmark III project.
 - 13) Lumberworks liner development project.
 - 14) 18th & Q mixed use development project.
 - 15) Pershing redevelopment project.
- North 27th Street redevelopment efforts are focusing on the acquisition of blighted properties and assembly for redevelopment and new housing construction.
- Antelope Valley Redevelopment Projects:
 - 1) Antelope Creek Village.
 - 2) 21st & N redevelopment project.
- Havelock Redevelopment on-going projects include streetscape improvements, commercial building facade improvements, and park improvements.
- University Place redevelopment of the former Green's Plumbing site.
- West O Street redevelopment projects and historic DLD marker project.
- NW Corridor redevelopment (West Cornhusker Highway).
- Innovation Campus redevelopment.
- 84th and Havelock redevelopment.
- South Capitol redevelopment.
- 56th and Arbor Road redevelopment.
- Focus area projects in South Capitol.
- 11th Street streetscape.
- Prescott Street streetscape, 47th to 48th.
- 1st and Cornhusker Hwy redevelopment.
- Surplus property issues/resolution.
- Housing rehabilitation programs for quality, affordable housing and home ownership:
 - 1) Continuation of First-time Homebuyer and Owner-Occupied Housing Rehabilitation Loan programs.
 - 2) Partner with NeighborWorks-Lincoln for their Home Ownership Zone in Antelope Valley.
 - 3) Partner with other non-profit and for-profit housing organizations for affordable housing projects in low-to-moderate income neighborhoods under the Mayor's Stronger Safer Neighborhoods Program.
 - 4) Manage the local affordable housing effort made possible by Federal Economic Stimulus Programs.
- Real estate major acquisition, negotiation and relocation projects:
 - 1) For effective transportation:
 - ✓ West Haymarket projects.
 - ✓ Yankee Hill Roadway, 70th to 84th Street.
 - ✓ SW 40th Street overpass.
 - ✓ 14th Street, Superior to Alvo Road.
 - ✓ 56th Street, Old Cheney to Shadow Pines.
 - ✓ Coddington and West Van Dorn intersection improvements.
 - ✓ Old Cheney Road, 70th to 84th Street.
 - ✓ Pine Lake Road, 59th to Hwy 2.
 - ✓ 14th and Cornhusker Hwy safety project.
 - ✓ 33rd and Cornhusker Hwy RTSD project.
 - ✓ 14th/Old Cheney/Warlick intersection.
 - ✓ Arterial/residential rehabs, executive order, traffic signal, and Federal Infrastructure Stimulus funded projects.

- ✓ N 33rd, P to Holdrege.
 - ✓ East Beltway preliminary acquisitions.
 - ✓ South Beltway preliminary acquisitions.
- 2) For environmental quality:
- ✓ Park sites citywide.
 - ✓ Stevens Creek sanitary sewer Phase III, IV & V.
 - ✓ Yankee Hill water main, 56th to 84th Street.
 - ✓ 98th Street water main, Holdrege to Alvo.
 - ✓ West O sanitary sewer lift station.
 - ✓ 6th and Old Cheney Road drainage project.
 - ✓ Storm water bond projects.
 - ✓ Miscellaneous sanitary sewer upgrade projects.
 - ✓ Conservation easements and wetlands acquisitions.
 - ✓ Additional projects made possible by Federal Infrastructure Stimulus funds.
- 3) Relocation activities:
- ✓ North 27th Street projects.
 - ✓ West Haymarket projects.
 - ✓ 1st and Cornhusker Hwy project.
 - ✓ 14th/Old Cheney/Warlick intersection project.
- Workforce Investment Act funds received by the City provide employment skills to low-income adults and youth and also to individuals laid-off from area employers. Federal funding is provided for GED, Adult Education and Literacy Activities, secondary and post-secondary education, and work experience with an emphasis on high wage and high demand occupations.

Examples of specialized projects this year include:

- 1) A specialized work readiness class for youth, which combines literacy and numeracy training, GED preparation and work readiness curriculum done in collaboration with Southeast Community College.
- 2) Project Everlast, led by the Nebraska Children and Families Foundation, to build a support system for youth transitioning from foster care by addressing employment, housing, education and health care needs.
- 3) 1st Job Lincoln, a pilot program to provide paid summer internships in the information technology field to Lincoln high school students.
- 4) Planning for a high school career academy as a joint project between Southeast Community College and Lincoln Public Schools.

West Haymarket Project

The West Haymarket Redevelopment Project is a multi-faceted endeavor to revitalize underutilized property that lies on the western edge of Lincoln's downtown and Haymarket district. On May 11, 2010, the citizens of Lincoln voted to approve the issuance of arena bonds, which signaled approval for the project to proceed. The project involves the relocation and elimination of existing railroad tracks and completion of other site preparation activities, the construction of a 15,223 seat civic arena, a community ice center, private retail and office space, a new Amtrak Station, residential units, surface and decked parking, public gathering areas, street and utility improvements, landscaping, trails and walkways, pedestrian bridges, and environmental enhancements. The public portion of the project cost is estimated to be approximately \$374 million. The arena opened and became fully operational in September 2013.

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

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

Antelope Valley Project

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

The project has been successful in removing about 1,000 structures from the floodplain by creating an open waterway from Salt Creek Roadway to J Street. Traffic improvements include 12 new or replacement bridges, the elimination of railroad crossings, and 6.2 miles of new roadway including the Big X elevated intersection near the Devaney Sports Center. In addition to the new Union Plaza Park and new trails, revitalization efforts include the Assurity headquarters, Turbine Flats, several housing developments, the Jayne Snyder Trails Center, Fleming Fields, and infrastructure improvements. Other redevelopment projects will progress as a result of the re-mapping of the floodplain.

The final JAVA project, which is landscaping of Antelope Valley Parkway between K and P streets as well as landscaping of O Street between 17th and 21st streets, was completed in 2013. Final project documentation is expected to be completed in 2014 to close out project records.

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

Wastewater System

The Lincoln Wastewater System is projecting a capital improvements program in the amount of approximately \$48,234,000 over the 5-year period of fiscal year 2013-14 through fiscal year 2017-18. Of that total, approximately \$25,324,000 will be financed by revenue bonds, approximately \$2,500,000 will be financed by impact fees, with the remaining \$20,410,000 to come from utility revenue fees. The majority of these dollars are needed for replacement and maintenance of existing infrastructure, new infrastructure to serve development in various basins throughout the City, and improvements to both the Theresa Street and Northeast treatment plants.

Water System

The Lincoln Water System is projecting a capital improvements program in the amount of approximately \$63,800,000 over the 5-year period of fiscal year 2013-14 through 2017-18. Of these dollars, approximately \$4,000,000 will be financed through revenue bonds, approximately \$1,950,000 will be financed from TIF funding, approximately \$4,750,000 will be financed through impact fees, with the balance of \$53,100,000 coming from utility revenue fees. The major projects contributing to these total dollars include the installation of transmission lines, replacement mains, replacement and new wells, and additional storage reservoirs.

Streets and Highways

The 2014-2018 Streets and Highways capital improvements program and Transportation improvement program identify average annual expenditures of \$28 million for the next five years. Funding for these projects includes \$109 million in City revenues, \$27 million in federal aid, and \$4 million in other funds.

Infrastructure Impact Fees

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

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

Pension Costs

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

Property Tax Collections

As of August 31, 2013, current tax collections by the County Treasurer were 97.31% of the tax levy, an increase of .12% from last year. Allocations of property tax levy by purpose are as follows:

<u>City Tax Levy by Purpose</u>	<u>2012-2013</u>	<u>2011-2012</u>	<u>2010-2011</u>
General Fund	.1854	.1876	.1739
Library	.0423	.0400	.0398
Social Security	.0157	.0163	.0141
Police and Fire Pension	.0382	.0348	.0261
General Obligation Debt	.0342	.0371	.0340
Total	<u>.3158</u>	<u>.3158</u>	<u>.2879</u>

Parking Facilities

The City of Lincoln operates the following parking garages:

<u>Facility</u>	<u>Number of Stalls</u>	<u>Date Opened</u>
Center Park	1,049	November, 1978
Cornhusker Square	409	December, 1983
University Square	430	April, 1990
Que Place	810	October, 1994
Carriage Park	701	February, 1995
Market Place	385	August, 2000
Haymarket	409	August, 2002
Larson Building	647	July, 2012

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

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

	<u>2012-2013</u>	<u>2011-2012</u>
Operating Revenues	\$ 8,444,055	7,353,847
Operating Income Before Depreciation	4,524,377	3,503,716
Debt Service	2,483,115	1,944,138
Debt Service Coverage Ratio	1.82	1.80

Solid Waste Management

The City of Lincoln owns and operates a municipal solid waste landfill and a construction and demolition debris landfill that are subject to the U.S. Environmental Protection Agency rule *Solid Waste Disposal Facility Criteria*, which establishes closure and postclosure care requirements. As of August 31, 2013, the City estimates that it will incur costs approximating \$22 million to adhere to such requirements (see Note 18 of Notes to the Financial Statements).

Water and Wastewater System

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

<u>Wastewater System</u>	<u>2012-2013</u>	<u>2011-2012</u>
Operating Revenues	\$24,577,769	24,097,998
Operating Income	4,276,920	4,404,875
Revenue Available For Debt Service	12,466,116	12,385,302
Debt Service	6,577,064	6,793,014
Debt Service Coverage Ratio	1.90	1.82

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

<u>Water System</u>	<u>2012-2013</u>	<u>2011-2012</u>
Operating Revenues	\$31,981,733	34,150,292
Operating Income	8,418,613	10,984,826
Revenue Available For Debt Service	18,128,425	20,348,397
Debt Service	4,195,562	8,335,202
Debt Service Coverage Ratio	4.32	2.44

Revenues for both utilities were inflated in 2011-2012 due to severe draught conditions and increased water system usage.

Lincoln Electric System (LES)

The City owns and operates its own electric utility system that is managed by an administrative board. Actions of the board with regard to rates, budgets, and long-term financing are subject to final review and approval by the City Council. In accordance with Section 4.24.090 of the Lincoln Municipal Code, LES operates on a January 1 - December 31, fiscal year. Audited financial information as of and for LES' fiscal year ended December 31, 2012, is included in the City's August 31, 2013, financial statements.

Certificate of Achievement

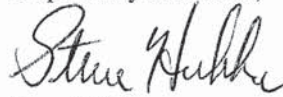
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lincoln, Nebraska, for its comprehensive annual financial report for the fiscal year ended August 31, 2012. This was the thirtieth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

Acknowledgments

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Steve Hubka". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Steve Hubka
Interim Finance Director



Government Finance Officers Association

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

Presented to

**City of Lincoln
Nebraska**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

August 31, 2012



Executive Director/CEO



FINANCIAL SECTION

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, Nebraska (the City) as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, Nebraska, as of August 31, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2013 the City implemented the provisions of GASB Statement No. 65, which changed its method of accounting for debt issuance costs through retroactive application to prior year's financial statements. Our opinion is not modified with respect to these matters.

Required Supplementary Information

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

Other Information

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

BKD, LLP

Lincoln, Nebraska
February 25, 2014



MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Lincoln, Nebraska (the City) offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended August 31, 2013. Please consider this discussion in conjunction with the additional information provided in the Letter of Transmittal (beginning on page vii) and the transactions, events and conditions reflected in the City's financial statements (beginning on page 16). The financial information for 2012 shown in the Condensed Statements of Net Position and Condensed Statements of Activities on pages 7-8, has not been updated for changes resulting from the implementation of GASB Statement No. 65 (see page 37 for information regarding the implementation of GASB Statement No. 65).

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at August 31, 2013, by \$1,729,516,046 (net position). Of this amount, \$433,680,033 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$63,026,928. Of this amount, \$47,119,933, or 75 percent, was an increase in governmental activities and \$15,906,995, or 25 percent, related to business-type activities.
- As of August 31, 2013, the City's governmental funds reported combined ending fund balances of \$280,629,212, a decrease of \$73,141,145 in comparison with the prior year, as the West Haymarket JPA Fund continues to spend bond proceeds on redevelopment projects. Of this total fund balance, 11 percent, or \$31,064,517, is available for spending at the City's discretion (unassigned fund balance).
- As of August 31, 2013, unrestricted fund balance (the total of committed, assigned, and unassigned fund balance) for the general fund was \$45,624,223, or 39 percent of total general fund expenditures. Due to the implementation of GASB Statement No. 54, reference must be made to page 76 of this report for an accurate comparison of the City's General funds based on the structure used for budgeting.
- The City's total bonded debt increased by \$73,516,000 (7 percent) during the current fiscal year. The city issued \$235,055,000 in refunding bonds in the current year for a net present value savings of \$32,264,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The statement of activities presents information showing how the City's net position changed during the year ended August 31, 2013. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type

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

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

FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-71 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City’s progress in funding its obligation to provide pension benefits to its police and fire employees, and to provide other postemployment benefits. Required supplementary information can be found on page 72 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,729,516,046 at August 31, 2013.

By far the largest portion of the City’s net position (66 percent) reflects its investment in capital assets (e.g., land, buildings, improvements, utility plant, infrastructure, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City Of Lincoln
Condensed Statements of Net Position
August 31, 2013 and 2012**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 528,495,518	596,213,973	334,413,750	288,936,045	862,909,268	885,150,018
Capital Assets	980,298,540	821,891,490	1,477,846,626	1,449,783,695	2,458,145,166	2,271,675,185
Total Assets	1,508,794,058	1,418,105,463	1,812,260,376	1,738,719,740	3,321,054,434	3,156,825,203
Deferred Outflows of Resources	1,223,669	1,303,610	21,108,867	9,530,262	22,332,536	10,833,872
Long-Term Liabilities Outstanding	539,301,185	501,498,642	857,148,510	759,577,426	1,396,449,695	1,261,076,068
Other Liabilities	49,769,820	37,731,545	167,651,409	195,580,122	217,421,229	233,311,667
Total Liabilities	589,071,005	539,230,187	1,024,799,919	955,157,548	1,613,870,924	1,494,387,735
Deferred Inflows of Resources	-	-	-	22,348	-	22,348
Net Position:						
Net Investment in Capital Assets	522,108,202	405,635,743	615,635,246	608,119,231	1,137,743,448	1,013,754,974
Restricted	144,925,083	246,533,919	13,167,482	31,470,517	158,092,565	278,004,436
Unrestricted	253,913,437	228,009,224	179,766,596	153,480,358	433,680,033	381,489,582
Total Net Position	\$ 920,946,722	880,178,886	808,569,324	793,070,106	1,729,516,046	1,673,248,992

An additional portion of the City’s net position (9 percent) represents resources that are subject to external restrictions on their use. The remaining balance of unrestricted net position (25 percent) may be used to meet the government’s ongoing obligations to citizens and creditors.

At August 31, 2013, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

City Of Lincoln
Condensed Statements of Activities
For the Years Ended August 31, 2013 and 2012

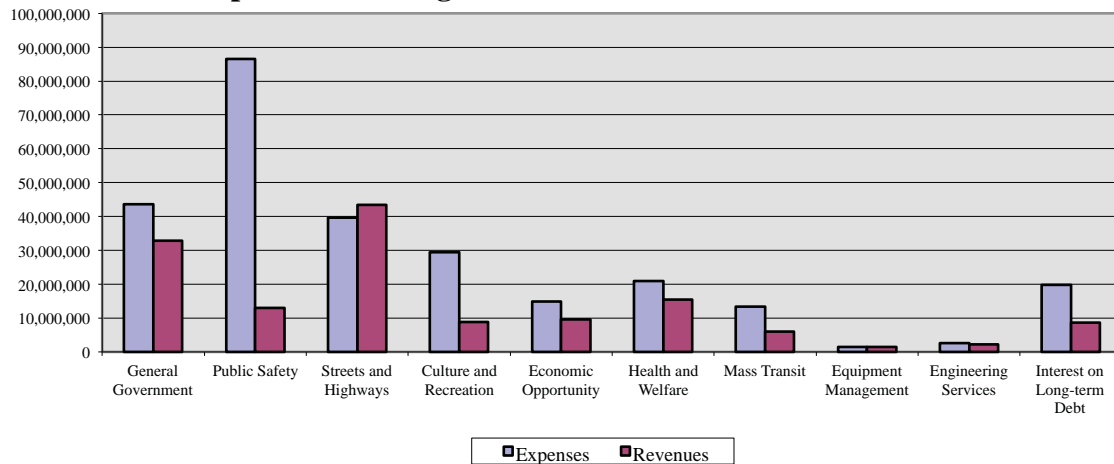
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services	\$ 55,593,762	49,728,220	358,167,400	350,507,113	413,761,162	400,235,333
Operating Grants and Contributions	57,394,538	51,263,862	-	-	57,394,538	51,263,862
Capital Grants and Contributions	28,517,996	32,043,686	7,195,503	6,731,837	35,713,499	38,775,523
General Revenues:						
Property Tax	56,130,131	53,302,884	-	-	56,130,131	53,302,884
Sales and Use Tax	63,544,137	62,388,551	-	-	63,544,137	62,388,551
Occupation Tax	25,437,045	25,732,963	2,011,468	2,048,615	27,448,513	27,781,578
Other Taxes	20,220,063	18,455,537	-	-	20,220,063	18,455,537
Unrestricted Grants and Contributions	79,177	93,633	-	-	79,177	93,633
Unrestricted Investment Earnings (Loss)	(833,074)	1,014,773	(713,969)	983,824	(1,547,043)	1,998,597
Other	1,925,791	2,623,024	874,807	380,531	2,800,598	3,003,555
Total Revenues	308,009,566	296,647,133	367,535,209	360,651,920	675,544,775	657,299,053
Expenses:						
General Government	43,666,952	40,635,824	-	-	43,666,952	40,635,824
Public Safety	86,493,288	82,915,183	-	-	86,493,288	82,915,183
Streets and Highways	39,551,411	38,319,958	-	-	39,551,411	38,319,958
Culture and Recreation	29,419,132	28,049,044	-	-	29,419,132	28,049,044
Economic Opportunity	14,819,767	16,840,478	-	-	14,819,767	16,840,478
Health and Welfare	20,939,140	21,414,951	-	-	20,939,140	21,414,951
Mass Transit	13,453,926	12,463,592	-	-	13,453,926	12,463,592
Equipment Management	1,479,534	1,162,325	-	-	1,479,534	1,162,325
Engineering Services	2,570,054	1,900,278	-	-	2,570,054	1,900,278
Interest on Long-Term Debt	19,787,131	20,417,899	-	-	19,787,131	20,417,899
Golf Courses	-	-	3,404,885	3,762,650	3,404,885	3,762,650
Parking	-	-	7,144,511	5,933,848	7,144,511	5,933,848
Entertainment Facilities	-	-	4,345,398	2,487,417	4,345,398	2,487,417
Solid Waste Management	-	-	8,472,030	8,080,971	8,472,030	8,080,971
Ambulance Transport	-	-	4,931,379	4,148,850	4,931,379	4,148,850
Wastewater	-	-	23,116,057	23,017,798	23,116,057	23,017,798
Water	-	-	25,499,420	25,908,587	25,499,420	25,908,587
Electric	-	-	263,674,000	250,676,000	263,674,000	250,676,000
Total Expenses	272,180,335	264,119,532	340,587,680	324,016,121	612,768,015	588,135,653
Increase in Net Position Before Transfers	35,829,231	32,527,601	26,947,529	36,635,799	62,776,760	69,163,400
Transfers	11,290,702	9,254,144	(11,040,534)	(5,060,384)	250,168	4,193,760
Increase in Net Position	47,119,933	41,781,745	15,906,995	31,575,415	63,026,928	73,357,160
Net Position - Beginning, Before Restatement	880,178,886	838,397,141	793,070,106	761,494,691	1,673,248,992	1,599,891,832
Adjustment for Implementation of GASB 65	(6,352,097)	-	(407,777)	-	(6,759,874)	-
Net Position - Beginning, After Restatement	873,826,789	838,397,141	792,662,329	761,494,691	1,666,489,118	1,599,891,832
Net Position - Ending	\$ 920,946,722	880,178,886	808,569,324	793,070,106	1,729,516,046	1,673,248,992

GOVERNMENTAL ACTIVITIES

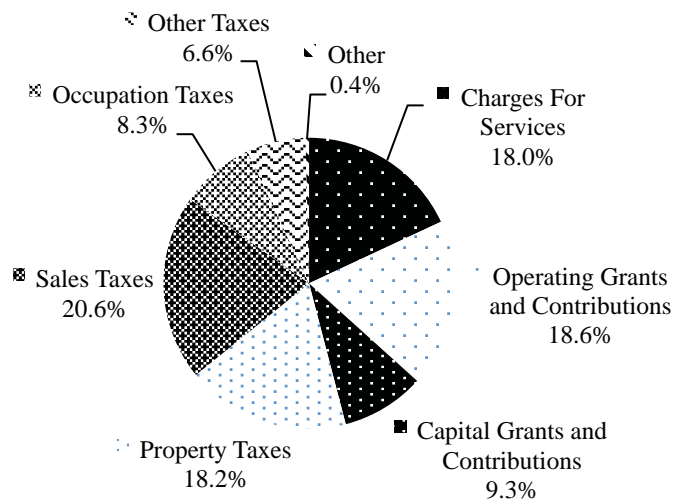
Governmental activities increased the City's net position by \$47,119,933, accounting for 75 percent of the total growth in the net position of the City of Lincoln. Key elements of this increase are as follows:

- Property tax receipts increased \$2.8 million (5.3 percent) with an overall increase in the tax base of 4.88 percent.
- Sales taxes increased by approximately \$1.2 million (1.9 percent) during 2013 after showing an increase of 4.4 percent in the prior year.
- Other taxes increased by approximately \$1.8 million (10 percent) in 2013, which includes a wheel tax increase of approximately \$1.6 million. Commencing September 1, 2012 the wheel tax fee schedule increased by 7.8 percent.

Expenses and Program Revenues - Governmental Activities



Revenues By Source - Governmental Activities

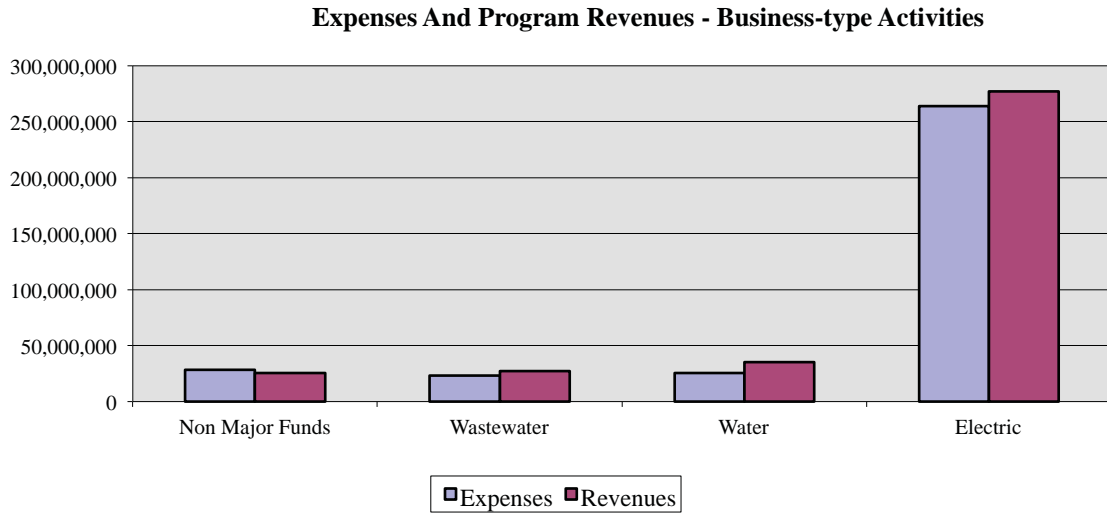


BUSINESS-TYPE ACTIVITIES

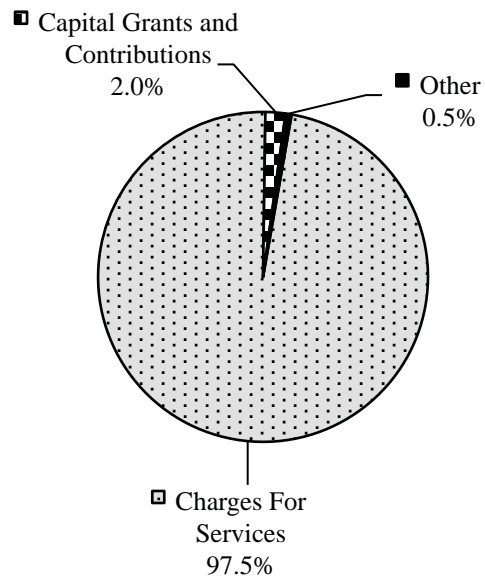
Business-type activities increased the City's net position by \$15,906,995, accounting for 25 percent of the total growth in the government's net position. Key elements of this increase are as follows:

- Lincoln Electric System operating revenue in 2012 was 3 percent higher than 2011. Retail revenue was 3 percent higher due to the impact of a 3.5 percent rate increase on January 1, 2012. Wholesale revenue decreased 20 percent with an energy sales decrease of 21 percent. The city dividend for utility ownership added \$6.5 million to operating revenue, up \$4.4 million due to its implementation in September 2011.

- Lincoln Water and Wastewater Systems reported capital contributions of approximately \$3.5 million (98% increase) and \$2.8 million (31% increase), respectively, due to increased development activity during the year.



Revenues By Source - Business-type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

GOVERNMENTAL FUNDS

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

As of August 31, 2013, the City's governmental funds reported combined ending fund balances of \$280,629,212, a decrease of \$73,141,145 in comparison with the prior year. Of this total amount, 11 percent constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is not in spendable form (\$4,053,830), legally required to be maintained intact (\$37,160,000), restricted for particular purposes (\$144,860,012), committed for particular purposes (\$821,517), or assigned for particular purposes (\$62,669,336).

The General Fund is the chief operating fund of the City. At August 31, 2013, the unrestricted fund balance of the General Fund was \$45,624,223, while total fund balance reached \$55,219,236. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents 39 percent of total general fund expenditures, while total fund balance represents 48 percent of that same amount.

The fund balance of the City's General Fund increased by \$6,117,963 during 2013. For the 2013 fiscal year, appropriated General Fund balance, used as a funding source for the budget, decreased by 40.6 percent over 2012. It is increased 72 percent for the 2014 fiscal year. The City has converted to a biennial budget and allocation of balances is spread over a two-year budget cycle.

The Street Construction Fund has a total fund balance of \$58,016,038, which is to be used in the construction and maintenance of streets and highways. The net increase in fund balance during 2013 in the Street Construction Fund was \$26,191,854, the result of several significant projects that have received funding but for various reasons the actual construction has been delayed.

The West Haymarket JPA Fund had a fund balance of \$32,808,438, which is to be used for funding improvements of the West Haymarket Redevelopment Project and debt service on the related debt. The current year change in fund balance of (\$114,383,015) was expected as bond proceeds are spent on the redevelopment projects.

PROPRIETARY FUNDS

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

Unrestricted net position of the Wastewater System, Water System, Electric System, and other enterprise funds amounted to \$23,759,692, \$35,259,829, \$130,921,000 and (\$10,173,925), respectively, at August 31, 2013 (December 31, 2012 for LES). Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were relatively minor (increase of \$290,342) and can be briefly summarized as follows:

Expenditure appropriations:

- \$(1,961,130) in miscellaneous changes in general government activities.
- \$693,646 in increases allocated to public safety.
- \$(79,048) in decreases to streets & highways.
- \$160,584 in increases allocated to parks and recreation.
- \$1,476,290 in increases allocated for General Fund transfers to other City funds.

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

- \$2,361,438 positive variance in real estate and personal property tax. Actual property collections were 97.31 percent of the 2012 levy, while estimated tax revenue is based on 90 percent collections as provided by the City Charter.
- \$3,238,107 positive variance in miscellaneous general government expenditures. Significant savings were realized in several service line items that are reappropriated to cover future expenditures.
- \$2,357,227 positive variance in police expenditures. Remaining balances are reappropriated to the next year to assist with one-time expenditures that are not ongoing operating expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of August 31, 2013, amounts to \$2,458,145,166 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, streets, bridges, storm sewers, electric plant, and water and sewer plant. The total increase in the City's investment in capital assets for 2013 was 8.2 percent (a 19.3 percent increase for governmental activities and a 19.4 percent increase for business-type activities).

Major capital asset events during 2013 included the following:

- The City increased its investment in infrastructure, including streets, bridges, drainage and traffic systems, in excess of \$28 million.
- The West Haymarket Redevelopment Project increased capital assets by approximately \$147 million, which includes roads and utility work, arena design and construction, site preparation, land purchases, environmental remediation, and parking.
- The City parking system's investment in the Lumberworks Parking Garage increased by approximately \$7.4 million.
- The LES Central Lincoln Reliability Project includes installation of 5.2 miles of transmission lines to replace aging cables, meet the growing demand for electricity in central Lincoln and improve system reliability. Total project cost is estimated at \$27.3 million and the project is expected to be completed in 2013.
- Construction of a 4MW landfill gas-based power generating facility sourced from the Bluff Road Landfill is estimated to cost \$12.9 million and is expected to be completed in 2013.

City Of Lincoln
Capital Assets (net of depreciation)
August 31, 2013 and 2012

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 139,434,473	138,768,877	24,238,655	24,232,300	163,673,128	163,001,177
Buildings	244,772,550	53,817,461	137,885,757	140,391,808	382,658,307	194,209,269
Improvements Other Than Buildings	42,302,711	40,360,129	456,108,511	450,950,888	498,411,222	491,311,017
Machinery and Equipment	35,076,357	35,302,361	13,711,274	12,765,467	48,787,631	48,067,828
Utility Plant	-	-	757,423,000	761,574,000	757,423,000	761,574,000
Infrastructure	455,365,190	394,256,079	-	-	455,365,190	394,256,079
Construction-in-progress	63,347,259	159,386,583	88,479,429	59,869,232	151,826,688	219,255,815
Total	<u>\$ 980,298,540</u>	<u>821,891,490</u>	<u>1,477,846,626</u>	<u>1,449,783,695</u>	<u>2,458,145,166</u>	<u>2,271,675,185</u>

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

LONG-TERM DEBT

At August 31, 2013, the City of Lincoln had total bonded debt outstanding of \$1,194,244,000. Of this amount, \$439,274,000 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City Of Lincoln
Outstanding Bonded Debt
August 31, 2013 and 2012
(dollar amounts in thousands)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$ 439,274	413,958	-	-	439,274	413,958
Tax Supported Bonds	4,470	5,210	-	-	4,470	5,210
Revenue Bonds	-	-	750,500	701,560	750,500	701,560
Total	<u>\$ 443,744</u>	<u>419,168</u>	<u>750,500</u>	<u>701,560</u>	<u>1,194,244</u>	<u>1,120,728</u>

The City's total bonded debt increased by \$73,516,000 (7 percent) in the current fiscal year. Refunding bonds were issued in the amount of \$235,055,000 to refund \$251,065,000 of outstanding bonds.

The City maintains the following credit ratings:

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

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The budget for 2012-2014 is the first biennial budget proposed for the City of Lincoln. The new biennial budget process has saved several thousand hours of staff time over this two-year period.

- Property tax revenue required to fund the 2012-2014 budget increased \$2,203,752 or 4.88 percent in the first year from the prior year, and \$1,235,401 or 2.61 percent for the second year of the biennium. Total change in the tax base is estimated at 7.61 percent, with the tax rate of .31580 to remain the same for both years.
- The adequacy of fees charged for City service cost recovery is examined each year and some fee increases are included in each budget. Without periodic increases in fees, amounts collected, or other revenue adjustments, inflationary and other cost increases would need to be covered by additional property tax revenue or the levels of service provided would need to be reduced. Revenue adjustments in both 2013 and 2014 include an increase in parking meter rates, \$750,000; increased Parks and Recreation program fees, \$328,150 and \$467,459, respectively; and additional alarm registration fees, "lift assist" charges, and hazardous material abatement fees, \$387,500.
- Utility rates are increased by an average of 5 percent, attained thru increases in various service charges; resulting in additional 2014 revenues of \$2,900,000 for Water and \$2,300,000 for Wastewater.
- Sales tax collections for 2013 finished 1.25 percent ahead of projections. 2014 projections reflect a 2.72 percent increase over 2013 actual collections.
- Staffing changes included in the 2012-2014 budget result in a decrease for all funds of 6.81 full-time equivalents.

All of these factors were considered in preparing the City's budget for the 2012-2014 fiscal years.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF LINCOLN, NEBRASKA
STATEMENT OF NET POSITION
AUGUST 31, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 29,001,874	26,411,365	55,413,239
Investments	233,307,540	146,061,641	379,369,181
Receivables, (Net of Allowance for Uncollectibles)	36,555,486	46,637,900	83,193,386
Internal Balances	(786,016)	786,016	-
Due from Other Governments	23,753,926	4,813,398	28,567,324
Inventories	1,953,509	17,984,497	19,938,006
Plant Operation Assets	-	12,191,000	12,191,000
Prepaid Items	613,535	2,084,601	2,698,136
Other Assets	332,058	8,500,888	8,832,946
Restricted Assets:			
Cash and Cash Equivalents	1,183,744	10,424,424	11,608,168
Investments	37,160,000	58,490,445	95,650,445
Receivables	-	27,575	27,575
Investment in Joint Venture	165,419,862	-	165,419,862
Capital Assets:			
Non-depreciable	202,781,732	112,718,084	315,499,816
Depreciable (Net)	777,516,808	1,365,128,542	2,142,645,350
Total Assets	<u>1,508,794,058</u>	<u>1,812,260,376</u>	<u>3,321,054,434</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Loss on Refunding	<u>1,223,669</u>	<u>21,108,867</u>	<u>22,332,536</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	27,923,368	47,697,530	75,620,898
Accrued Liabilities	6,443,323	13,965,193	20,408,516
Due to Other Governments	564,872	181,310	746,182
Unearned Revenue	10,067,949	6,825,326	16,893,275
Notes Payable	-	88,500,000	88,500,000
Accrued Interest Payable	4,770,308	10,482,050	15,252,358
Noncurrent Liabilities:			
Payable within One Year	26,478,797	37,033,821	63,512,618
Payable in More Than One Year	512,822,388	820,114,689	1,332,937,077
Total Liabilities	<u>589,071,005</u>	<u>1,024,799,919</u>	<u>1,613,870,924</u>
NET POSITION			
Net Investment in Capital Assets	522,108,202	615,635,246	1,137,743,448
Restricted for:			
Debt Service	11,127,039	7,685,239	18,812,278
Capital Projects	39,562,927	5,461,091	45,024,018
Grantor Loan Programs	19,719,000	-	19,719,000
Other	14,049,785	21,152	14,070,937
Trust Donations:			
Expendable	1,750,288	-	1,750,288
Nonexpendable	160,000	-	160,000
Health Care:			
Expendable	21,556,044	-	21,556,044
Nonexpendable	37,000,000	-	37,000,000
Unrestricted	<u>253,913,437</u>	<u>179,766,596</u>	<u>433,680,033</u>
Total Net Position	<u>\$ 920,946,722</u>	<u>808,569,324</u>	<u>1,729,516,046</u>

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

CITY OF LINCOLN, NEBRASKA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2013

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs	Expenses						
Governmental Activities:							
General Government	\$ (43,666,952)	26,631,508	3,403,932	2,897,752	(10,733,760)	-	(10,733,760)
Public Safety	(86,493,288)	6,903,567	4,331,563	1,702,555	(73,555,603)	-	(73,555,603)
Streets and Highways	(39,551,411)	5,711,018	19,957,910	17,807,724	3,925,241	-	3,925,241
Culture and Recreation	(29,419,132)	4,367,112	1,927,678	2,530,099	(20,594,243)	-	(20,594,243)
Economic Opportunity	(14,819,767)	863,053	8,660,424	150,000	(5,146,290)	-	(5,146,290)
Health and Welfare	(20,939,140)	4,715,133	10,757,100	-	(5,466,907)	-	(5,466,907)
Mass Transit	(13,453,926)	2,290,536	3,683,820	-	(7,479,570)	-	(7,479,570)
Equipment Management	(1,479,534)	1,428,734	-	-	(50,800)	-	(50,800)
Engineering Services	(2,570,054)	2,153,423	-	9,496	(407,135)	-	(407,135)
Interest on Long-Term Debt	(19,787,131)	529,678	4,672,111	3,420,370	(11,164,972)	-	(11,164,972)
Total Governmental Activities	(272,180,335)	55,593,762	57,394,538	28,517,996	(130,674,039)	-	(130,674,039)
Business-Type Activities:							
Golf	(3,404,885)	3,185,111	-	18,000	-	(201,774)	(201,774)
Parking System	(7,144,511)	8,913,903	-	-	-	1,769,392	1,769,392
Municipal Auditorium	(2,632,482)	1,967,600	-	-	-	(664,882)	(664,882)
Municipal Arena	(1,712,916)	56,766	-	-	-	(1,656,150)	(1,656,150)
Solid Waste Management	(8,472,030)	6,015,675	-	-	-	(2,456,355)	(2,456,355)
Emergency Medical Services	(4,931,379)	5,436,467	-	-	-	505,088	505,088
Wastewater System	(23,116,057)	24,550,035	-	2,801,073	-	4,235,051	4,235,051
Water System	(25,499,420)	31,931,843	-	3,539,430	-	9,971,853	9,971,853
Electric System	(263,674,000)	276,110,000	-	837,000	-	13,273,000	13,273,000
Total Business-Type Activities	(340,587,680)	358,167,400	-	7,195,503	-	24,775,223	24,775,223
Total	\$ (612,768,015)	413,761,162	57,394,538	35,713,499	(130,674,039)	24,775,223	(105,898,816)
General Revenues:							
Property Tax					56,130,131	-	56,130,131
Motor Vehicle Tax					4,504,623	-	4,504,623
Wheel Tax					15,649,558	-	15,649,558
Sales and Use Tax					63,544,137	-	63,544,137
Sundry and In Lieu Tax					65,882	-	65,882
Occupation Tax					25,437,045	2,011,468	27,448,513
Unrestricted Grants and Contributions					79,177	-	79,177
Unrestricted Investment Earnings (Loss)					(833,074)	(713,969)	(1,547,043)
Miscellaneous General Revenues					1,925,791	874,807	2,800,598
Transfers					11,290,702	(11,040,534)	250,168
Total General Revenues and Transfers					177,793,972	(8,868,228)	168,925,744
Change in Net Position					47,119,933	15,906,995	63,026,928
Net Position - Beginning of Year, Before Restatement					880,178,886	793,070,106	1,673,248,992
Adjustment for Implementation of GASB 65					(6,352,097)	(407,777)	(6,759,874)
Net Poistion - Beginning of Year, After Restatement					873,826,789	792,662,329	1,666,489,118
Net Position - Ending					\$ 920,946,722	808,569,324	1,729,516,046

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

CITY OF LINCOLN, NEBRASKA
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2013

	General Fund	Street Construction Fund	West Haymarket JPA Fund	Other Governmental Funds	Total
ASSETS					
Cash and Cash Equivalents	\$ 5,110,243	5,099,781	6,347,086	9,378,822	25,935,932
Investments	35,382,113	42,211,189	53,636,561	112,941,039	244,170,902
Receivables, (Net of Allowance for Uncollectibles)	7,154,022	363,956	1,500,986	26,469,314	35,488,278
Due from Other Funds	1,485,309	9,038,037	499,322	1,761,161	12,783,829
Due from Other Governments	11,664,069	6,409,942	754,054	4,619,998	23,448,063
Inventories	466,956	221,510	-	518,537	1,207,003
Assets Held for Resale	-	-	-	332,058	332,058
Prepaid Items	2,846,827	-	-	13,062	2,859,889
Total Assets	<u>64,109,539</u>	<u>63,344,415</u>	<u>62,738,009</u>	<u>156,033,991</u>	<u>346,225,954</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts Payable	1,012,991	2,555,951	11,956,279	1,925,042	17,450,263
Contracts Payable	-	223,915	6,998,817	924,917	8,147,649
Accrued Liabilities	3,155,695	208,954	183,000	2,264,832	5,812,481
Due to Other Funds	2,876,588	288,468	15,508	11,135,527	14,316,091
Due to Other Governments	108,705	1,335	295,000	264,641	669,681
Unearned Revenue	12,985	-	9,726,913	238,310	9,978,208
Total Liabilities	<u>7,166,964</u>	<u>3,278,623</u>	<u>29,175,517</u>	<u>16,753,269</u>	<u>56,374,373</u>
Deferred Inflows of Resources:					
Unavailable Revenues	<u>1,723,339</u>	<u>2,049,754</u>	<u>754,054</u>	<u>4,695,222</u>	<u>9,222,369</u>
Fund Balances:					
Nonspendable	3,313,783	221,510	-	37,678,537	41,213,830
Restricted	6,281,230	30,360,494	22,671,249	85,547,039	144,860,012
Committed	-	-	-	821,517	821,517
Assigned	14,425,933	27,434,034	10,137,189	10,672,180	62,669,336
Unassigned	<u>31,198,290</u>	<u>-</u>	<u>-</u>	<u>(133,773)</u>	<u>31,064,517</u>
Total Fund Balances	<u>55,219,236</u>	<u>58,016,038</u>	<u>32,808,438</u>	<u>134,585,500</u>	<u>280,629,212</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 64,109,539</u>	<u>63,344,415</u>	<u>62,738,009</u>	<u>156,033,991</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	953,805,142
Investment in joint venture is not a financial resource and, therefore, is not reported in the funds.	165,419,862
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	9,222,369
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	26,876,772
Accrued pension contribution, long-term construction contracts and other liabilities require the use of unavailable financial resources and, therefore, are not reported in the funds.	(6,822,987)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(508,183,648)
Net position of governmental activities	<u>\$ 920,946,722</u>

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

CITY OF LINCOLN, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

	General Fund	Street Construction Fund	West Haymarket JPA Fund	Other Governmental Funds	Total
REVENUES					
Taxes:					
Property	\$ 31,876,583	-	-	24,094,989	55,971,572
Motor Vehicle	4,504,623	-	-	-	4,504,623
Wheel	-	-	-	15,649,558	15,649,558
Sales and Use	63,544,137	-	-	-	63,544,137
Sundry and In Lieu	48,360	-	-	13,795	62,155
Occupation	12,086,734	-	13,350,311	-	25,437,045
Special Assessment	204	641	-	1,146,795	1,147,640
Intergovernmental	3,427,320	43,490,699	4,762,874	29,659,989	81,340,882
Permits and Fees	5,441,564	4,131,236	1,650	13,361,565	22,936,015
Reimbursement for Services	6,767,242	115,450	109,558	1,349,272	8,341,522
Court Settlements	856,188	-	-	-	856,188
Program Income	332,000	-	-	110,313	442,313
Investment Earnings (Loss)	(79,227)	(326,873)	(256,643)	2,395,097	1,732,354
Donations	555,504	-	2,055,309	943,801	3,554,614
Keno Proceeds	-	-	-	3,930,602	3,930,602
Miscellaneous	566,730	1,486,030	174,563	1,026,457	3,253,780
Total Revenues	129,927,962	48,897,183	20,197,622	93,682,233	292,705,000
EXPENDITURES					
Current:					
General Government	29,555,445	-	570,347	12,635,632	42,761,424
Public Safety	62,324,983	-	-	10,164,553	72,489,536
Streets and Highways	6,653,688	11,701,180	-	458	18,355,326
Culture and Recreation	12,424,382	-	-	9,899,560	22,323,942
Economic Opportunity	4,681,076	-	-	8,150,117	12,831,193
Health and Welfare	332,016	-	-	21,007,159	21,339,175
Mass Transit	-	-	-	11,980,828	11,980,828
Debt Service	40,491	-	15,119,300	16,561,534	31,721,325
Capital Outlay	-	26,194,724	147,097,654	35,011,159	208,303,537
Total Expenditures	116,012,081	37,895,904	162,787,301	125,411,000	442,106,286
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,915,881	11,001,279	(142,589,679)	(31,728,767)	(149,401,286)
OTHER FINANCING SOURCES (USES)					
Transfers In	10,845,857	19,462,791	-	26,551,321	56,859,969
Transfers Out	(21,283,300)	(4,272,216)	-	(19,825,321)	(45,380,837)
Issuance of Debt	2,430,000	-	-	33,003,437	35,433,437
Premium on Debt Issued	209,470	-	-	770,857	980,327
Sale of Capital Assets	55	-	28,206,664	160,526	28,367,245
Total Other Financing Sources (Uses)	(7,797,918)	15,190,575	28,206,664	40,660,820	76,260,141
Net Change in Fund Balances	6,117,963	26,191,854	(114,383,015)	8,932,053	(73,141,145)
Fund Balances - Beginning	49,101,273	31,824,184	147,191,453	125,653,447	353,770,357
Fund Balances - Ending	\$ 55,219,236	58,016,038	32,808,438	134,585,500	280,629,212

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

CITY OF LINCOLN, NEBRASKA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2013

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

Net change in fund balances - total governmental funds	\$ (73,141,145)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	155,163,658
The net effect of various miscellaneous transactions involving capital contributions is to increase net position.	3,139,641
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds: Change in revenues in fund statements previously recognized in the statement of activities.	(1,580,364)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(24,390,654)
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.	(8,408,489)
Changes in the net pension obligation and the net OPEB obligation do not represent financial activity in governmental funds.	(2,024,530)
Changes in the interest in the underlying net position of the joint venture do not represent financial activity in governmental funds.	(3,363,609)
Internal service funds are used by management to charge the costs of certain services to individual funds. The net expense of the internal service funds is reported within governmental activities.	1,725,425
Change in net position of governmental activities	<u><u>\$ 47,119,933</u></u>

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

CITY OF LINCOLN, NEBRASKA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED AUGUST 31, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues:				
Real Estate and Personal Property Tax	\$ 33,601,581	33,601,581	35,963,019	2,361,438
Taxes Collected by Others	63,817,314	63,817,314	63,134,808	(682,506)
Sundry Taxes and In Lieu	57,472	57,472	48,043	(9,429)
Occupation Taxes	12,130,690	12,130,690	12,035,497	(95,193)
Intergovernmental	1,547,324	1,547,324	1,614,351	67,027
Permits and Fees	3,464,419	3,464,419	3,401,051	(63,368)
Reimbursement for Services	3,115,185	3,115,185	3,195,710	80,525
Court Fees	798,000	798,000	766,771	(31,229)
Court Settlements	1,387,942	1,387,942	1,387,942	-
Recreation Receipts	2,440,235	2,440,235	2,341,694	(98,541)
Investment Earnings (Loss)	78,083	78,083	(17,003)	(95,086)
Donations	543,518	543,518	543,518	-
Rental Income	513,103	513,103	535,196	22,093
Miscellaneous	324,564	324,564	504,938	180,374
Total Revenues	123,819,430	123,819,430	125,455,535	1,636,105
Expenditures:				
General Government:				
Legislative	288,639	288,639	241,968	46,671
Executive	1,365,164	1,464,503	1,332,948	131,555
Financial Administration	2,837,425	2,856,947	2,703,934	153,013
Law	2,732,643	2,736,994	2,630,237	106,757
Personnel Administration	933,152	983,736	969,221	14,515
Planning and Zoning	1,757,074	1,773,471	1,662,451	111,020
Urban Development	951,952	965,063	795,227	169,836
Miscellaneous	24,550,818	22,386,384	19,148,277	3,238,107
Total General Government	35,416,867	33,455,737	29,484,263	3,971,474
Public Safety:				
Police	35,070,457	35,214,433	32,857,206	2,357,227
Fire	23,455,146	23,989,492	23,721,179	268,313
Building and Safety	3,162	3,162	3,162	-
Traffic Engineering	1,503,015	1,518,339	1,400,524	117,815
Total Public Safety	60,031,780	60,725,426	57,982,071	2,743,355
Streets and Highways:				
Street Maintenance	2,923,758	2,844,710	2,116,763	727,947
Street Lighting	3,781,239	3,781,239	4,755,204	(973,965)
Total Streets and Highways	6,704,997	6,625,949	6,871,967	(246,018)
Culture and Recreation:				
Parks and Recreation	12,337,407	12,497,991	12,168,743	329,248
Libraries	263,840	263,840	263,840	-
Total Culture and Recreation	12,601,247	12,761,831	12,432,583	329,248
Economic Opportunity:				
Lincoln Area Agency on Aging	228,878	228,878	228,878	-
Health and Welfare:				
Lincoln/Lancaster County Health	335,925	335,925	325,466	10,459
Debt Service:				
Issuance and Management Costs	-	-	48,524	(48,524)
Total Expenditures	115,319,694	114,133,746	107,373,752	6,759,994
Excess of Revenues Over Expenditures	8,499,736	9,685,684	18,081,783	8,396,099
Other Financing Sources (Uses):				
Transfers In	10,437,367	10,437,367	10,762,913	325,546
Transfers Out	(25,035,756)	(26,512,046)	(26,074,203)	437,843
Proceeds from Issuance of Debt	2,430,000	2,430,000	2,430,000	-
Premium on Debt Issued	-	-	209,470	209,470
Sale of Capital Assets	21,000	21,000	31	(20,969)
Total Other Financing Sources (Uses)	(12,147,389)	(13,623,679)	(12,671,789)	951,890
Net Change in Fund Balances	(3,647,653)	(3,937,995)	5,409,994	9,347,989
Fund Balances - Beginning	29,129,979	29,129,979	29,129,979	-
Fund Balances - Ending	\$ 25,482,326	25,191,984	34,539,973	9,347,989

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



CITY OF LINCOLN, NEBRASKA
STREET CONSTRUCTION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED AUGUST 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Special Assessment	\$ -	-	1,231	1,231
Intergovernmental	8,869,156	8,869,156	20,322,956	11,453,800
Permits and Fees	-	-	381,382	381,382
Reimbursement for Services	400,000	400,000	115,291	(284,709)
Investment Earnings (Loss)	62,200	62,200	(45,920)	(108,120)
Miscellaneous	-	-	3,657	3,657
Total Revenues	<u>9,331,356</u>	<u>9,331,356</u>	<u>20,778,597</u>	<u>11,447,241</u>
Expenditures -- Streets and Highways:				
Personal Services	6,472,889	6,472,889	6,371,745	101,144
Materials and Supplies	1,031,808	1,031,808	886,951	144,857
Other Services and Charges	5,067,207	5,067,207	4,454,670	612,537
Capital Outlay	<u>120,921</u>	<u>120,921</u>	<u>96,293</u>	<u>24,628</u>
Total Expenditures	<u>12,692,825</u>	<u>12,692,825</u>	<u>11,809,659</u>	<u>883,166</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(3,361,469)</u>	<u>(3,361,469)</u>	<u>8,968,938</u>	<u>12,330,407</u>
Other Financing Sources (Uses):				
Transfers In	19,462,791	19,462,791	19,462,791	-
Transfers Out	<u>(4,272,216)</u>	<u>(4,272,216)</u>	<u>(4,272,216)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>15,190,575</u>	<u>15,190,575</u>	<u>15,190,575</u>	<u>-</u>
Net Change in Fund Balances	11,829,106	11,829,106	24,159,513	12,330,407
Amount Budgeted on Project Basis	1,629,821	1,629,821	1,629,821	-
Fund Balances - Beginning	<u>28,418,086</u>	<u>28,418,086</u>	<u>28,418,086</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 41,877,013</u>	<u>41,877,013</u>	<u>54,207,420</u>	<u>12,330,407</u>

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

CITY OF LINCOLN, NEBRASKA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2013

	Business-Type Activities -- Enterprise Funds					Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds	Total	
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$ 2,224,768	2,523,701	15,113,000	6,549,896	26,411,365	3,065,942
Investments	8,840,408	9,955,012	100,636,000	3,947,222	123,378,642	13,253,398
Receivables, (Net of Allowance for Uncollectibles)	1,983,095	3,327,419	20,045,000	2,957,672	28,313,186	1,067,208
Unbilled Revenues	2,509,069	4,610,645	11,205,000	-	18,324,714	-
Due from Other Funds	448,449	1,063,107	-	246,866	1,758,422	1,349,210
Due from Other Governments	1,136,734	3,618,166	-	58,498	4,813,398	305,863
Inventories	60,362	1,064,495	16,461,000	398,640	17,984,497	746,506
Plant Operation Assets	-	-	12,191,000	-	12,191,000	-
Prepaid Expenses	-	-	2,035,000	49,601	2,084,601	327,871
Total Current Assets	17,202,885	26,162,545	177,686,000	14,208,395	235,259,825	20,115,998
Noncurrent Assets:						
Investments	8,096,955	10,386,865	-	4,199,179	22,682,999	13,043,240
Costs Recoverable From Future Billings	665,279	599,609	7,236,000	-	8,500,888	-
Restricted Assets:						
Cash and Cash Equivalents	-	-	5,652,000	4,772,424	10,424,424	1,183,744
Investments	7,062,653	6,632,564	31,817,000	12,978,228	58,490,445	-
Receivables	-	-	-	27,575	27,575	-
Due from Other Funds	-	-	-	123,743	123,743	-
Total Restricted Assets	7,062,653	6,632,564	37,469,000	17,901,970	69,066,187	1,183,744
Capital Assets:						
Land	6,001,129	5,451,747	-	12,785,779	24,238,655	1,306,950
Buildings	79,914,073	68,002,744	-	69,845,351	217,762,168	7,392,015
Improvements Other Than Buildings	270,659,890	338,726,535	-	41,663,442	651,049,867	465,692
Machinery and Equipment	8,972,169	9,079,769	-	15,251,631	33,303,569	31,451,899
Utility Plant	-	-	1,300,208,000	-	1,300,208,000	-
Construction in Progress	4,936,246	5,699,028	70,020,000	7,824,155	88,479,429	5,367,422
Less Accumulated Depreciation	(112,344,441)	(124,034,584)	(542,785,000)	(58,031,037)	(837,195,062)	(22,064,805)
Total Capital Assets, Net	258,139,066	302,925,239	827,443,000	89,339,321	1,477,846,626	23,919,173
Total Noncurrent Assets	273,963,953	320,544,277	872,148,000	111,440,470	1,578,096,700	38,146,157
Total Assets	291,166,838	346,706,822	1,049,834,000	125,648,865	1,813,356,525	58,262,155
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Loss on Refunding	922,514	852,436	19,238,000	95,917	21,108,867	-
LIABILITIES						
Current Liabilities:						
Accounts Payable	295,253	761,691	16,376,000	4,234,586	21,667,530	2,325,456
Construction Contracts	1,529,232	3,899,892	-	-	5,429,124	-
Accrued Liabilities	533,277	949,907	11,979,000	503,009	13,965,193	508,358
Accrued Compensated Absences	368,437	465,257	-	434,497	1,268,191	802,066
Due to Other Funds	-	-	-	1,096,149	1,096,149	602,964
Due to Other Governments	-	-	-	181,310	181,310	16,422
Unearned Revenue	-	-	-	6,825,326	6,825,326	89,741
Claims	-	-	700,000	-	700,000	3,733,880
Accrued Interest	612,943	112,133	9,672,000	84,974	10,482,050	134,092
Notes Payable	-	-	88,500,000	157,500	88,657,500	-
Current Portion of Capital Lease	-	-	-	450,090	450,090	1,335,593
Current Portion of Long-Term Debt	3,618,916	3,685,000	19,865,000	1,860,000	29,028,916	-
Other	-	-	26,030,000	-	26,030,000	-
Total Current Liabilities	6,958,058	9,873,880	173,122,000	15,827,441	205,781,379	9,548,572
Noncurrent Liabilities:						
Accrued Compensated Absences	283,985	485,117	-	132,287	901,389	913,103
Construction Contracts	117,454	168,713	-	-	286,167	-
Claims	-	-	383,000	-	383,000	6,046,204
Notes Payable	-	-	-	1,417,500	1,417,500	-
Capital Lease Payable	-	-	-	1,952,263	1,952,263	14,467,943
Long-Term Debt, Net	85,691,090	62,407,568	612,716,000	37,311,794	798,126,452	-
Accrued Liabilities	221,468	321,582	-	600,868	1,143,918	409,561
Accrued Landfill Closure/Postclosure Care Costs	-	-	-	15,904,000	15,904,000	-
Total Noncurrent Liabilities	86,313,997	63,382,980	613,099,000	57,318,712	820,114,689	21,836,811
Total Liabilities	93,272,055	73,256,860	786,221,000	73,146,153	1,025,896,068	31,385,383
NET POSITION						
Net Investment in Capital Assets	174,029,586	238,693,102	145,310,000	57,602,558	615,635,246	8,763,946
Restricted for:						
Debt Service	753,613	153,543	6,620,000	158,083	7,685,239	-
Capital Projects	274,406	195,924	-	4,990,761	5,461,091	-
Other	-	-	-	21,152	21,152	-
Unrestricted	23,759,692	35,259,829	130,921,000	(10,173,925)	179,766,596	18,112,826
Total Net Position	\$ 198,817,297	274,302,398	282,851,000	52,598,629	808,569,324	26,876,772

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

CITY OF LINCOLN, NEBRASKA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

	Business-Type Activities -- Enterprise Funds					Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds	Total	
Operating Revenues						
Charges for Services	\$ 24,577,769	31,981,733	264,200,000	5,436,467	326,195,969	60,890,916
Fees	-	-	-	8,438,579	8,438,579	-
Parking Revenue	-	-	-	8,913,448	8,913,448	-
Performance Revenue	-	-	-	1,966,755	1,966,755	-
Other Operating Revenue	-	-	11,910,000	838,546	12,748,546	-
Total Operating Revenues	<u>24,577,769</u>	<u>31,981,733</u>	<u>276,110,000</u>	<u>25,593,795</u>	<u>358,263,297</u>	<u>60,890,916</u>
Operating Expenses						
Personal Services	-	-	-	9,944,407	9,944,407	14,069,972
Contractual Services	-	-	-	5,308,026	5,308,026	-
Operation and Maintenance	10,914,350	14,273,132	23,583,000	7,378,570	56,149,052	41,932,846
Purchased Power	-	-	126,063,000	-	126,063,000	-
Depreciation	7,778,690	7,449,730	41,947,000	4,178,168	61,353,588	2,709,155
Administrative Costs	1,607,809	1,840,258	33,916,000	-	37,364,067	-
Total Operating Expenses	<u>20,300,849</u>	<u>23,563,120</u>	<u>225,509,000</u>	<u>26,809,171</u>	<u>296,182,140</u>	<u>58,711,973</u>
Operating Income (Loss)	<u>4,276,920</u>	<u>8,418,613</u>	<u>50,601,000</u>	<u>(1,215,376)</u>	<u>62,081,157</u>	<u>2,178,943</u>
Nonoperating Revenues (Expenses)						
Investment Earnings (Loss)	(289,792)	(468,499)	180,000	(167,899)	(746,190)	(96,174)
Gain on Disposal of Capital Assets	-	-	-	6,623	6,623	185,220
Insurance Recovery	-	-	-	1,942	1,942	-
Settlement Proceeds	-	809,184	-	-	809,184	-
Occupation Tax	-	-	-	2,011,468	2,011,468	-
Payments in Lieu of Taxes	-	-	(9,780,000)	-	(9,780,000)	-
Net Costs Recoverable	(41,721)	(42,444)	(1,130,000)	-	(1,214,165)	-
Debt Issuance Expense	-	-	-	(315,310)	(315,310)	(126,315)
Interest Expense and Fiscal Charges	(2,773,486)	(1,893,857)	(26,418,000)	(1,180,340)	(32,265,683)	(397,457)
Total Nonoperating Revenues (Expenses)	<u>(3,104,999)</u>	<u>(1,595,616)</u>	<u>(37,148,000)</u>	<u>356,484</u>	<u>(41,492,131)</u>	<u>(434,726)</u>
Income (Loss) Before Contributions and Transfers	1,171,921	6,822,997	13,453,000	(858,892)	20,589,026	1,744,217
Capital Contributions	2,801,073	3,539,430	837,000	117,813	7,295,316	69,825
Plant Costs Recovered through Capital Contributions	-	-	(837,000)	-	(837,000)	-
Transfers In	-	-	-	657,902	657,902	79,992
Transfers Out	(11,722)	(805,073)	(8,359,000)	(2,622,454)	(11,798,249)	(168,609)
Change in Net Position	<u>3,961,272</u>	<u>9,557,354</u>	<u>5,094,000</u>	<u>(2,705,631)</u>	<u>15,906,995</u>	<u>1,725,425</u>
Net Position - Beginning of Year, Before Restatement	194,856,025	264,745,044	277,757,000	55,712,037	793,070,106	25,286,923
Adjustment for Implementation of GASB 65	-	-	-	(407,777)	(407,777)	(135,576)
Net Position - Beginning of Year, After Restatement	<u>194,856,025</u>	<u>264,745,044</u>	<u>277,757,000</u>	<u>55,304,260</u>	<u>792,662,329</u>	<u>25,151,347</u>
Net Position - Ending	<u>\$ 198,817,297</u>	<u>274,302,398</u>	<u>282,851,000</u>	<u>52,598,629</u>	<u>808,569,324</u>	<u>26,876,772</u>

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

CITY OF LINCOLN, NEBRASKA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

	Business-Type Activities -- Enterprise Funds					Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds	Total	
Cash Flows from Operating Activities						
Receipts from Customers and Users	\$ 25,434,593	31,514,767	288,517,000	29,817,422	375,283,782	15,288,863
Receipts from Interfund Services Provided	169,276	935,898	5,655,000	138,929	6,899,103	45,536,523
Payments to Suppliers for Goods and Services	(3,064,874)	(4,931,049)	(171,326,000)	(9,335,250)	(188,657,173)	(38,749,440)
Payments to Employees	(7,218,597)	(8,378,508)	(25,905,000)	(9,477,126)	(50,979,231)	(13,736,410)
Payments for Interfund Services Provided	(1,997,665)	(2,851,329)	(1,529,000)	(2,732,279)	(9,110,273)	(3,138,351)
Other Receipts	-	-	-	732,470	732,470	-
Net Cash Provided by Operating Activities	13,322,733	16,289,779	95,412,000	9,144,166	134,168,678	5,201,185
Cash Flows from Noncapital Financing Activities						
Occupation Tax	-	-	-	1,982,576	1,982,576	-
Settlement Proceeds	-	809,184	-	-	809,184	-
Payments in Lieu of Taxes	-	-	(9,479,000)	-	(9,479,000)	-
Transfers from Other Funds	-	-	-	657,902	657,902	79,992
Transfers to Other Funds	-	(750,000)	(8,206,000)	(2,622,454)	(11,578,454)	(168,609)
Advances from General Fund	-	-	-	1,464,312	1,464,312	1,657,405
Repayment of Advances from General Fund	-	-	-	(1,392,356)	(1,392,356)	(1,855,905)
Advances to Other Funds	-	-	-	(7,055)	(7,055)	-
Repayments from Other Funds	173,295	103,658	-	76,426	353,379	247,184
Net Cash Provided (Used) by Noncapital Financing Activities	173,295	162,842	(17,685,000)	159,351	(17,189,512)	(39,933)
Cash Flows from Capital and Related Financing Activities						
Additions to Capital Assets	(9,102,110)	(9,647,653)	(56,148,000)	(9,067,905)	(83,965,668)	(8,171,604)
Capital Contributions	700,299	1,919,396	837,000	-	3,456,695	-
Federal Grant Proceeds	526,828	-	-	-	526,828	-
Proceeds from Sale of Capital Assets	-	-	-	29,527	29,527	273,786
Insurance Recovery	-	-	-	1,942	1,942	-
Proceeds from Long-Term Debt	3,316,985	4,693,992	85,719,000	17,236,183	110,966,160	8,120,539
Cost of Debt Issuance	-	-	(1,907,000)	(131,530)	(2,038,530)	(126,315)
Funds Used for Bond Refunding	-	(1,866,014)	-	(194,170)	(2,060,184)	-
Net Cost of Retiring Plant	-	-	(892,000)	-	(892,000)	-
Commercial Paper Redeemed	-	-	(40,000,000)	-	(40,000,000)	-
Principal Payments of Capital Lease	-	-	-	(394,548)	(394,548)	(988,626)
Principal Payments of Long-Term Debt	(3,487,907)	(1,850,000)	(19,610,000)	(1,745,000)	(26,692,907)	-
Interest and Fiscal Charges Paid	(3,089,697)	(2,345,563)	(25,888,000)	(1,343,480)	(32,666,740)	(377,863)
Net Cash Provided (Used) by Capital and Related Financing Activities	(11,135,602)	(9,095,842)	(57,889,000)	4,391,019	(73,729,425)	(1,270,083)
Cash Flows from Investing Activities						
Proceeds from Sale and Maturities of Investments	19,993,774	21,329,159	145,346,000	16,691,310	203,360,243	28,167,285
Purchases of Investments	(21,402,142)	(27,415,533)	(162,294,000)	(24,779,916)	(235,891,591)	(29,682,314)
Interest and Other Receipts	175,282	284,650	420,000	54,648	934,580	128,604
Net Cash Used by Investing Activities	(1,233,086)	(5,801,724)	(16,528,000)	(8,033,958)	(31,596,768)	(1,386,425)
Net Increase in Cash and Cash Equivalents	1,127,340	1,555,055	3,310,000	5,660,578	11,652,973	2,504,744
Cash and Cash Equivalents - Beginning	1,097,428	968,646	17,455,000	5,661,742	25,182,816	1,744,942
Cash and Cash Equivalents - Ending	\$ 2,224,768	2,523,701	20,765,000	11,322,320	36,835,789	4,249,686
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities						
Operating Income (Loss)	\$ 4,276,920	8,418,613	50,601,000	(1,215,376)	62,081,157	2,178,943
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Depreciation	7,778,690	7,449,730	41,947,000	4,178,168	61,353,588	2,709,155
Other	-	-	120,000	-	120,000	-
Changes in Assets and Liabilities:						
Accounts Receivable and Unbilled Revenues	1,021,348	466,631	655,000	(363,862)	1,779,117	51,199
Lease Receivable	-	-	-	-	-	(785,000)
Due from Other Funds	-	-	-	(63,848)	(63,848)	(11,328)
Due from Other Governments	-	-	-	64,555	64,555	(26,701)
Inventories	13,944	(121,844)	(1,993,000)	(186,660)	(2,287,560)	56,675
Plant Operation Assets	-	-	(385,000)	-	(385,000)	-
Prepaid Expenses	-	-	(259,000)	(45,996)	(304,996)	(105,006)
Other Assets	-	-	716,000	-	716,000	-
Accounts Payable	83,411	(54,662)	3,356,000	274,389	3,659,138	1,392,117
Accrued Liabilities	61,904	(19,526)	-	316,134	358,512	125,434
Accrued Compensated Absences	86,516	150,837	-	193,509	430,862	208,129
Due to Other Funds	-	-	-	95,429	95,429	5,171
Due to Other Governments	-	-	-	(28,457)	(28,457)	4,054
Unearned Revenue	-	-	-	5,458,181	5,458,181	(78,703)
Claims	-	-	142,000	-	142,000	(522,954)
Other Liabilities	-	-	512,000	-	512,000	-
Accrued Landfill Closure/Postclosure Care Costs	-	-	-	468,000	468,000	-
Total Adjustments	9,045,813	7,871,166	44,811,000	10,359,542	72,087,521	3,022,242
Net Cash Provided by Operating Activities	\$ 13,322,733	16,289,779	95,412,000	9,144,166	134,168,678	5,201,185
Supplemental Disclosure of Noncash Investing, Capital, and Financing Activities:						
Contribution of Capital Assets	\$ 1,692,563	1,620,034	-	117,813	3,430,410	69,825
Purchase of Capital Assets on Account	1,646,687	4,068,605	317,000	2,977,275	9,009,567	535,435
Change in Fair Value of Investments	469,377	762,480	34,000	(195,033)	1,070,824	(205,830)
Allowance for Funds in Construction	-	-	366,000	-	366,000	-

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

CITY OF LINCOLN, NEBRASKA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2013

	Police & Fire Pension Trust Fund	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and Cash Equivalents	\$ 2,583,893	4,242,174
Investments:		
Pooled Investment Funds	4,184,683	-
Collateralized Investment Agreement	-	1,910,000
Equities	4,186,736	-
Corporate Bonds	1,363,400	-
Mutual Funds	160,692,242	-
Limited Partnership	495,988	-
Real Estate Limited Partnerships	11,245,353	-
Total Investments	<u>182,168,402</u>	<u>1,910,000</u>
Receivables:		
Contributions	734,463	-
Accrued Interest	970,924	37,428
Other	-	41,385
Due from Other Governments	545	5,802
Contractor Retainage	<u>-</u>	<u>304,536</u>
 Total Assets	 <u>186,458,227</u>	 <u><u>6,541,325</u></u>
LIABILITIES		
Warrants Payable	-	1,563,269
Accounts Payable	1,926	256,477
Accrued Liabilities	8,529	-
Accrued Compensated Absences	14,790	-
Due to Other Governments	234	3,740,893
Due to Homeowners	-	14,055
Due to Contractors	-	761,182
Due to Plan Members	-	87,523
Due to Bondholders	<u>-</u>	<u>117,926</u>
 Total Liabilities	 <u>25,479</u>	 <u><u>6,541,325</u></u>
NET POSITION		
Held in Trust for Pension Benefits and Other Purposes	 <u><u>\$ 186,432,748</u></u>	

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

CITY OF LINCOLN, NEBRASKA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED AUGUST 31, 2013

	<u>Police & Fire Pension Trust Fund</u>
Additions:	
Contributions:	
Employer	\$ 6,655,499
Employee	<u>2,495,716</u>
Total Contributions	<u>9,151,215</u>
Investment Earnings:	
Interest	267,770
Dividends	4,309,060
Net Increase in Fair Value of Investments	<u>15,956,777</u>
Net Investment Earnings	<u>20,533,607</u>
Total Additions	<u>29,684,822</u>
Deductions:	
Benefit Payments	11,589,289
Refunds of Contributions	207,701
Administrative Costs	<u>366,054</u>
Total Deductions	<u>12,163,044</u>
Change in Net Position	17,521,778
Net Position Held in Trust for Pension Benefits and Other Purposes - Beginning	<u>168,910,970</u>
Net Position Held in Trust for Pension Benefits and Other Purposes - Ending	<u>\$ 186,432,748</u>

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

(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 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, 2013. 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, 2012. The amounts included in the City's 2013 financial statements for LES are amounts as of and for the year ended December 31, 2012.

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.

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

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

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

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 deposited by Gateway Shopping Center in fulfillment of a condition of the use permit for expansion; 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

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

information of similar financial instruments. Income from investments held by the individual funds is recorded in the respective funds as it is earned.

Receivables and Payables

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

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

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

Inventories and Prepaid Items

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

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

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

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

Costs Recoverable From Future Billings

Certain income and expense items of the Wastewater System, Water System, and LES, which would be recognized during the current period are deferred and not included in the determination of the change in net position until such costs are expected to be recovered through rates, in accordance with the regulated operations provisions of GASB Statement No. 62.

Investment in Joint Venture

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

Capital Assets

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

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

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

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

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

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

Compensated Absences

City employees generally earn vacation days at a variable rate based on years of service. In the event of termination, an employee is reimbursed for accumulated vacation time up to a maximum allowed accumulation, which is in no case longer than 37 days.

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

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

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

Long-Term Obligations

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

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

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

Fund Equity

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

The City has established a policy providing for an unreserved fund balance in the City's General Fund. To meet excess cash flow needs, no less than twenty percent of the ensuing year's General Fund budget is to be set aside as an unrestricted reserve. Currently \$27,424,940 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 \$158,092,565 of restricted net position, of which enabling legislation restricts \$16,973,440.

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.

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

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, Seniors Foundation of Lincoln & Lancaster County, and R.P. Crawford Park), permanent (J.J. 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

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

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 \$20,691,044, 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 2013, the City implemented the provisions of the following accounting principles:

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This standard addresses service concession arrangements, which are a type of public-private or public-public partnership, and improving consistency in financial reporting of such arrangements among state and local governments.

GASB Statement No. 61, *The Financial Reporting Entity-Omnibus – An Amendment of GASB Statements No. 14 and No. 34*. The requirements of GASB Statements No. 14 and No. 34 were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This standard was created to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in pre-November 30, 1989 FASB and AICPA pronouncements, which do not conflict with or contradict GASB pronouncements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement amends the net asset reporting requirements in GASB Statement No. 34 and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

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

The City also early implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. In addition, the statement changes the method of reporting debt issuance costs. Prior to implementation of GASB Statement No. 65, the City reported debt issuance costs as deferred charges which were capitalized and amortized over the life of the debt. Deferred charges were reported as an asset on the statement of net position. Under GASB Statement No. 65, debt issuance costs are to be recognized in the period of the debt issue. Implementation of GASB Statement No. 65 resulted in a restatement of previously reported net position for the retrospective removal of these debt issuance costs. However, as the Wastewater, Water and Electric Systems meet the criteria as rate-making entities under the regulated operations provisions of GASB Statement No. 62, their bond issuance costs were deferred and are shown as costs recoverable from future billings on the statement of net position.

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

(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 \$508,183,648 difference are as follows:

Bonds Payable	\$ 443,743,559
Less issuance discounts	(1,002,012)
Plus issuance premiums	12,067,421
Less deferred charge on refunding	(1,223,669)
Capital Leases Payable	23,784,756
Accrued Interest Payable	4,636,216
Net Pension Obligation	3,251,955
Net OPEB Obligation	7,032,488
Compensated Absences	15,892,934
Net difference	<u>\$ 508,183,648</u>

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

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$155,163,658 difference are as follows:

Capital outlay	\$ 183,770,567
Depreciation expense	<u>(28,606,909)</u>
Net difference	<u>\$ 155,163,658</u>

Another element of that reconciliation states, “The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$(24,390,654) difference are as follows:

Debt issued or incurred:	
Issuance of general obligation stormwater bonds	\$ (7,900,000)
Issuance of limited tax general obligation arena bonds	(25,000,000)
Issuance of tax allocation bonds	(103,437)
Issuance of certificates of participation	(2,430,000)
Issuance premiums	(980,328)
Amortization of deferred premiums, discounts, and amounts from refundings	256,547
Principal repayments	<u>11,766,564</u>
Net difference	<u>\$ (24,390,654)</u>

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

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 \$(8,408,489) difference are as follows:

Loss on disposal of capital assets	\$ (3,902,559)
Construction contracts	136,563
Commissions	(2,465,648)
Other	219,521
Accrued interest	(157,314)
Compensated absences	(2,239,052)
Net difference	<u>\$ (8,408,489)</u>

(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 the Depreciation and Replacement Account are restricted for 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. Lincoln Electric System has also restricted certain assets for employee health claims. Certain assets of the Pershing Municipal Auditorium Enterprise Fund are classified as restricted assets to be used for marketing and improvements. Certain assets of the Municipal Services Center Internal Service Fund are also restricted for capital improvements.

A recap of restrictions and related balances at August 31, 2013, are as follows:

Fund Account	Golf	Parking System	Pershing Municipal Auditorium	Solid Waste Management	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Municipal Services Center	Total
Principal and Interest	\$ -	206,916	-	-	1,366,555	265,675	16,278,000	-	18,117,146
Reserve	-	2,847,374	-	695,140	5,660,664	5,697,896	20,041,000	-	34,942,074
Depreciation and Replacement	-	1,143,275	-	-	-	-	-	-	1,143,275
Capital Construction and Equipment	100,760	7,184,690	9,540	5,675,176	35,434	668,993	125,000	1,183,744	14,983,337
Claims	-	-	-	-	-	-	1,025,000	-	1,025,000
Marketing	-	-	39,099	-	-	-	-	-	39,099
Total	<u>\$ 100,760</u>	<u>11,382,255</u>	<u>48,639</u>	<u>6,370,316</u>	<u>7,062,653</u>	<u>6,632,564</u>	<u>37,469,000</u>	<u>1,183,744</u>	<u>70,249,931</u>

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 or to pledge government securities (types of which are specifically identified in the Statutes) to the City Treasurer in

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

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 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, 2013, the City had the following investments, maturities and credit ratings:

Type	August 31, 2013 Maturities in Years					Credit Rating	
	Carrying Value	Less than 1	1-5	6-10	More than 10	Moody's	S&P
General City:							
U.S. Treasury Obligations	\$ 43,731,220	41,739,960	1,991,260	-	-	Aaa	AA+
U.S. Sponsored Agency Obligations	369,804,271	215,135,190	75,370,565	75,081,789	4,216,727	Aaa	AA+
Collateralized Repurchase Agreements	4,474,756	4,474,756	-	-	-	N/A	N/A
Collateralized Investment Agreements	1,120,000	-	1,120,000	-	-	Baa1	A+ (Fitch)
Collateralized Investment Agreements	3,139,981	-	-	-	3,139,981	Aa3	AA-
Money Market Funds - U.S. Treasury	4,003,193	4,003,193	-	-	-	Aaa	AAAm
Money Market Funds - U.S. Agencies	53,380,469	53,380,469	-	-	-	Aaa	AAAm
External Investment Trust	4,000,000	4,000,000	-	-	-	Not rated	Not rated
Tax Increment Financing Investments	3,600,132	-	591,875	1,634,418	1,373,839	Not rated	Not rated
Fixed Income Mutual Funds	122,392	122,392	-	-	-	Not rated	Not rated
Equities	879,107	879,107	-	-	-	Not rated	Not rated
Complementary Strategies	97,948	97,948	-	-	-	Not rated	Not rated
Real Assets	83,401	83,401	-	-	-	Not rated	Not rated
Total General City	488,386,870	323,866,416	79,073,700	76,716,207	8,730,547		
Community Health Endowment:							
Money Market Mutual Funds	178,907	178,907	-	-	-	Not rated	Not rated
Institutional Funds							
Fixed Income	15,849,926	15,849,926	-	-	-	Not rated	Not rated
Intermediate Term Credit	280,381	280,381	-	-	-	Not rated	Not rated
Large Cap Equity	2,593,219	2,593,219	-	-	-	Not rated	Not rated
International Equity	9,881,600	9,881,600	-	-	-	Not rated	Not rated
High-yield Bonds	3,959,008	3,959,008	-	-	-	Not rated	Not rated
Emerging Markets Equity	2,261,945	2,261,945	-	-	-	Not rated	Not rated
Hedge Funds	5,528,919	5,528,919	-	-	-	Not rated	Not rated
Mid Cap Equity	2,633,343	2,633,343	-	-	-	Not rated	Not rated
U.S. Treasuries	4,655,607	4,655,607	-	-	-	Not rated	Not rated
Small Cap Equity	2,654,468	2,654,468	-	-	-	Not rated	Not rated
Commodities	2,998,553	2,998,553	-	-	-	Not rated	Not rated
Real Estate	2,629,500	2,629,500	-	-	-	Not rated	Not rated
Limited Partnership	881,014	881,014	-	-	-	Not rated	Not rated
Total Community Health Endowment	56,986,390	56,986,390	-	-	-		
Police & Fire Pension Trust:							
Equities	4,186,736	4,186,736	-	-	-	Not rated	Not rated
Fixed Income Mutual Funds	23,062,129	23,062,129	-	-	-	Not rated	Not rated
Non-Fixed Income Mutual Funds	92,065,365	92,065,365	-	-	-	Not rated	Not rated
ETF Mutual Funds	45,564,748	45,564,748	-	-	-	Not rated	Not rated
Corporate Bonds	1,363,400	-	-	-	1,363,400	B (Fitch)	BB+
	166,242,378	164,878,978	-	-	1,363,400		
Limited Partnership	495,988	-	-	-	-		
Real Estate Limited Partnerships	11,245,353	-	-	-	-		
Total Police & Fire Pension Trust	177,983,719	-	-	-	-		
Total Primary Government	\$ 723,356,979						

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

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:

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

Investment agreements are made with provisions that if the provider is downgraded below Aa3 by Moody's Investors Service (Moody's) or AA- by Standard & Poor's (S&P), the provider must deliver collateral of U.S. Government agencies obligations at a margin of 102-104%, and if the provider is further downgraded below A3 by Moody's or A- by S&P, the City will have the right to terminate the agreement and receive all invested amounts plus accrued but unpaid interest without penalty. As of August 31, 2013, the investment agreements were adequately collateralized with U.S. Government agencies 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.

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

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

<u>Type</u>	<u>Portfolio Composition</u>	<u>Policy Limits on Issuer</u>
U.S. agency obligations:		
Federal Home Loan Bank	35.29% %	40.00 %
Federal Home Loan Mortgage Corporation	23.92%	40.00
Federal National Mortgage Association	30.25%	40.00
Federal Farm Credit Bank	10.55%	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.

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

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

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is CHE's policy to limit its investments in fixed income securities to issues with at least BBB-/Baa3 ratings. Short-term fixed income issues should have a minimum A-2/P-2 rating.

Concentration of Credit Risk. 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, 2013.

Police & Fire Pension Trust Policy

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

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

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, 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, separate asset classes and specific securities to appropriate benchmarks, financial indices and/or funds at least annually. Asset allocation, investments, and/or investment managers are adjusted as necessary by this monitoring.

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

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

Summary of Deposit and Investment Balances

Following is a reconciliation of the City's deposit and investment balances as of August 31, 2013:

	<u>Totals</u>		
Investments	\$ 723,356,979		
Deposits and Cash on Hand	<u>9,588,523</u>		
	<u>\$ 732,945,502</u>		
	<u>Government-wide</u>	<u>Fiduciary Funds</u>	
	<u>Statement of</u>	<u>Statement of</u>	
	<u>Net Position</u>	<u>Net Position</u>	<u>Totals</u>
Cash and Cash Equivalents	\$ 55,413,239	6,826,067	62,239,306
Investments	379,369,181	184,078,402	563,447,583
Restricted Assets:			
Cash and Cash Equivalents	11,608,168	-	11,608,168
Investments	<u>95,650,445</u>	<u>-</u>	<u>95,650,445</u>
	<u>\$ 542,041,033</u>	<u>190,904,469</u>	<u>732,945,502</u>

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

(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 Haymarket JPA	Other Funds	Total
Fund Balances:					
Nonspendable:					
Inventory	\$ 466,956	221,510	-	518,537	1,207,003
Prepaid Items	2,846,827	-	-	-	2,846,827
Permanent Fund Principal	-	-	-	37,160,000	37,160,000
Total Nonspendable	<u>3,313,783</u>	<u>221,510</u>	<u>-</u>	<u>37,678,537</u>	<u>41,213,830</u>
Restricted For:					
Capital Improvements	721,327	30,360,494	17,997,320	16,818,180	65,897,321
Human Services	938,410	-	-	-	938,410
Donor Purposes	2,141,899	-	-	1,724,432	3,866,331
Public Improvements	2,479,594	-	-	-	2,479,594
Agency Activities	-	-	4,673,929	-	4,673,929
Land Purchases	-	-	-	216,590	216,590
Social Security Obligations	-	-	-	1,169,123	1,169,123
Community Betterment	-	-	-	2,734,244	2,734,244
Federal Loan Programs	-	-	-	19,719,000	19,719,000
Grant Programs	-	-	-	1,903,966	1,903,966
Special Assessment Improvements	-	-	-	656,847	656,847
Debt Service	-	-	-	18,524,649	18,524,649
Health Care	-	-	-	20,691,044	20,691,044
Claims Contingencies	-	-	-	865,000	865,000
Library Media	-	-	-	523,964	523,964
Total Restricted	<u>6,281,230</u>	<u>30,360,494</u>	<u>22,671,249</u>	<u>85,547,039</u>	<u>144,860,012</u>
Committed To:					
Public Access Television	-	-	-	821,517	821,517
Assigned To:					
Capital Improvements	-	26,572,414	-	54,154	26,626,568
Donor Purposes	770,984	-	-	-	770,984
Public Improvements	513,093	-	-	-	513,093
Athletic Facility Improvements	859,725	-	-	-	859,725
Senior Care	222,796	-	-	-	222,796
Emergency Communications	2,016,091	-	-	-	2,016,091
Economic Development Projects	5,647,184	-	-	-	5,647,184
Snow Removal	-	861,620	-	-	861,620
Debt Service	-	-	10,137,189	-	10,137,189
Land Purchases	-	-	-	22,397	22,397
Public Access Television	-	-	-	8,255	8,255
Library Services	-	-	-	2,872,364	2,872,364
Health Care	-	-	-	1,380,730	1,380,730
Social Security Obligations	-	-	-	358,353	358,353
Public Transportation	-	-	-	1,903,973	1,903,973
Community Betterment	-	-	-	15,005	15,005
Building Code Enforcement	-	-	-	3,937,661	3,937,661
Park Projects	-	-	-	119,288	119,288
Other Purposes	4,396,060	-	-	-	4,396,060
Total Assigned	<u>14,425,933</u>	<u>27,434,034</u>	<u>10,137,189</u>	<u>10,672,180</u>	<u>62,669,336</u>
Unassigned	<u>31,198,290</u>	<u>-</u>	<u>-</u>	<u>(133,773)</u>	<u>31,064,517</u>
Total Fund Balances	<u>\$ 55,219,236</u>	<u>58,016,038</u>	<u>32,808,438</u>	<u>134,585,500</u>	<u>280,629,212</u>

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

(6) RECEIVABLES AND DUE FROM OTHER GOVERNMENTS

Receivables at August 31, 2013, consist of the following (in thousands):

Fund	Taxes	Accounts	Loans	Lease	Contributions	Special Assessment		Accrued Interest	Gross Receivables	Allowance For Uncollectibles	Net
						Current	Deferred				
General	\$ 4,173	2,908	-	-	-	-	-	73	7,154	-	7,154
Street Construction	-	294	-	-	-	-	-	70	364	-	364
West Haymarket JPA	1,311	101	-	-	-	-	-	89	1,501	-	1,501
Wastewater System	-	4,492	-	-	-	-	-	-	4,492	-	4,492
Water System	-	7,938	-	-	-	-	-	-	7,938	-	7,938
Electric System	-	32,802	-	-	-	-	-	81	32,883	1,633	31,250
Nonmajor -											
Special Revenue	1,867	330	24,217	-	-	-	-	62	26,476	4,498	21,978
Debt Service	934	-	-	-	-	518	3,220	50	4,722	280	4,442
Capital Projects	-	-	-	-	-	-	-	46	46	-	46
Permanent	-	-	-	-	-	-	-	3	3	-	3
Enterprise	-	5,646	-	-	-	-	-	48	5,694	2,709	2,985
Internal Service	-	220	-	785	-	-	-	62	1,067	-	1,067
Fiduciary	-	41	-	-	735	-	-	1,008	1,784	-	1,784
Total	\$ 8,285	54,772	24,217	785	735	518	3,220	1,592	94,124	9,120	85,004

Enterprise funds customer accounts receivable include unbilled charges for services. Delinquent special assessment receivables at August 31, 2013, were \$161,642.

The total of Due From Other Governments of \$28,567,324 includes the following significant items:

Fund/Fund Type	Amount	Service
General/Major Governmental	\$ 10,995,254	State of Nebraska, July/August Sales and Use Tax
	431,083	August Motor Vehicle Taxes Collected by Lancaster County
	113,337	Federal Government, Cost Reimbursements
	31,932	State of Nebraska, Cost Reimbursements
	83,057	Lancaster County, Cost Reimbursements
Street Construction/Major Governmental	3,793,251	State of Nebraska, July/August Highway User Fees
	400,000	State of Nebraska, Cost Reimbursements
	197,568	Lancaster County, Cost Reimbursements
	2,019,123	Federal Government, Cost Reimbursements
West Haymarket JPA/Major Governmental	754,054	Federal Government, Cost Reimbursements
Wastewater/Major Enterprise	1,136,734	State of Nebraska, Cost Reimbursements
Water/Major Enterprise	3,618,166	State of Nebraska, Cost Reimbursements
Lincoln/Lancaster Co. Health/Special Revenue	363,903	Lancaster County, Cost Reimbursements
StarTran/Special Revenue	146,381	Federal Government, Cost Reimbursements
Federal Grants/Special Revenue	1,661,900	Federal Government, Cost Reimbursements
	581,390	State of Nebraska, Cost Reimbursements
Antelope Valley/Tax Supported Bonds/Debt Service	166,667	State of Nebraska, July/August Development Fund Disbursements
Vehicle Tax/Capital Projects	1,487,897	August Motor Vehicle Taxes Collected by Lancaster County
Storm Sewer Bonds/Capital Projects	186,622	Federal Government, Cost Reimbursements
Other Capital Projects/Capital Projects	23,925	Federal Government, Cost Reimbursements
Parking System/Enterprise	30,380	State of Nebraska, Cost Reimbursements
Pinnacle Bank Arena/Enterprise	18,076	University of Nebraska-Lincoln Billings
Information Services/Internal Service	270,779	Lancaster County Billings
Insurance Revolving/Internal Service	12,507	Lancaster County Billings
Copy Services/Internal Service	13,632	Lancaster County Billings
Subtotal	28,537,618	
All other	29,706	
Total Due From Other Governments	\$ 28,567,324	

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

(7) **CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 138,768,877	4,374,402	3,708,806	139,434,473
Construction in Progress	159,386,583	168,953,556	264,992,880	63,347,259
Total Capital Assets, not being Depreciated	298,155,460	173,327,958	268,701,686	202,781,732
Capital Assets, being Depreciated:				
Buildings	88,406,277	193,574,249	515,217	281,465,309
Improvements Other Than Buildings	69,467,103	4,142,883	131,246	73,478,740
Machinery and Equipment	89,069,443	7,438,277	5,186,320	91,321,400
Infrastructure	607,935,448	80,223,554	72,324	688,086,678
Total Capital Assets, being Depreciated	854,878,271	285,378,963	5,905,107	1,134,352,127
Less Accumulated Depreciation for:				
Buildings	34,588,816	2,556,910	452,967	36,692,759
Improvements Other Than Buildings	29,106,974	2,197,110	128,055	31,176,029
Machinery and Equipment	53,767,082	7,482,569	5,004,608	56,245,043
Infrastructure	213,679,369	19,079,475	37,356	232,721,488
Total Accumulated Depreciation	331,142,241	31,316,064	5,622,986	356,835,319
Total Capital Assets, being Depreciated, Net	523,736,030	254,062,899	282,121	777,516,808
Governmental Activities Capital Assets, Net	\$ 821,891,490	427,390,857	268,983,807	980,298,540
Business-type Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 24,232,300	6,355	-	24,238,655
Construction in Progress	59,869,232	82,943,902	54,333,705	88,479,429
Total Capital Assets, not being Depreciated	84,101,532	82,950,257	54,333,705	112,718,084
Capital Assets, being Depreciated:				
Buildings	215,720,069	2,119,405	77,306	217,762,168
Improvements Other Than Buildings	633,568,065	17,988,221	506,419	651,049,867
Machinery and Equipment	31,003,757	3,378,446	1,078,634	33,303,569
Utility Plant	1,267,997,000	36,904,000	4,693,000	1,300,208,000
Total Capital Assets, being Depreciated	2,148,288,891	60,390,072	6,355,359	2,202,323,604
Less Accumulated Depreciation for:				
Buildings	75,328,261	4,625,456	77,306	79,876,411
Improvements Other Than Buildings	182,617,177	12,807,678	483,499	194,941,356
Machinery and Equipment	18,238,290	1,973,454	619,449	19,592,295
Utility Plant	506,423,000	41,947,000	5,585,000	542,785,000
Total Accumulated Depreciation	782,606,728	61,353,588	6,765,254	837,195,062
Total Capital Assets, being Depreciated, Net	1,365,682,163	(963,516)	(409,895)	1,365,128,542
Business-type Activities Capital Assets, Net	\$ 1,449,783,695	81,986,741	53,923,810	1,477,846,626

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 1,416,382
Public Safety	2,080,111
Streets and Highways, including Infrastructure	18,363,694
Culture and Recreation	4,300,423
Economic Opportunity	51,459
Health and Welfare	293,212
Mass Transit	2,101,628
Subtotal	<u>28,606,909</u>
Internal Service Funds Capital Assets	
Depreciation is charged to the various functions based on usage of the assets.	2,709,155
Total Depreciation Expense - Governmental	<u><u>\$ 31,316,064</u></u>
Business-type Activities:	
Golf	492,968
Parking System	1,621,709
Pershing Municipal Auditorium	19,418
Solid Waste Management	1,833,106
Emergency Medical Services	210,967
Wastewater System	7,778,690
Water System	7,449,730
Lincoln Electric System	41,947,000
Total Depreciation Expense - Business-type	<u><u>\$ 61,353,588</u></u>

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

	Beginning Balances	Increases	Decreases	Ending Balances
Lincoln Wastewater System:				
Capital Assets, not being Depreciated:				
Land	\$ 5,996,823	4,306	-	6,001,129
Construction in Progress	1,767,162	6,977,258	3,808,174	4,936,246
Total Capital Assets, not being Depreciated	<u>7,763,985</u>	<u>6,981,564</u>	<u>3,808,174</u>	<u>10,937,375</u>
Capital Assets, being Depreciated:				
Buildings	79,839,389	74,684	-	79,914,073
Improvements Other Than Buildings	265,147,852	5,512,038	-	270,659,890
Machinery and Equipment	8,793,982	307,181	128,994	8,972,169
Total Capital Assets, being Depreciated	<u>353,781,223</u>	<u>5,893,903</u>	<u>128,994</u>	<u>359,546,132</u>
Less Accumulated Depreciation for:				
Buildings	25,086,939	1,894,624	-	26,981,563
Improvements Other Than Buildings	74,251,088	5,341,568	-	79,592,656
Machinery and Equipment	5,341,708	542,498	113,984	5,770,222
Total Accumulated Depreciation	<u>104,679,735</u>	<u>7,778,690</u>	<u>113,984</u>	<u>112,344,441</u>
Total Capital Assets, being Depreciated, Net	<u>249,101,488</u>	<u>(1,884,787)</u>	<u>15,010</u>	<u>247,201,691</u>
Wastewater System Capital Assets, Net	<u><u>\$ 256,865,473</u></u>	<u><u>5,096,777</u></u>	<u><u>3,823,184</u></u>	<u><u>258,139,066</u></u>

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

	Beginning Balances	Increases	Decreases	Ending Balances
Lincoln Water System:				
Capital Assets, not being Depreciated:				
Land	\$ 5,449,698	2,049	-	5,451,747
Construction in Progress	4,400,696	11,585,123	10,286,791	5,699,028
Total Capital Assets, not being Depreciated	9,850,394	11,587,172	10,286,791	11,150,775
Capital Assets, being Depreciated:				
Buildings	67,727,299	275,445	-	68,002,744
Improvements Other Than Buildings	327,271,789	11,454,746	-	338,726,535
Machinery and Equipment	8,616,076	562,818	99,125	9,079,769
Total Capital Assets, being Depreciated	403,615,164	12,293,009	99,125	415,809,048
Less Accumulated Depreciation for:				
Buildings	25,778,198	1,230,986	-	27,009,184
Improvements Other Than Buildings	86,316,745	5,766,887	-	92,083,632
Machinery and Equipment	4,576,144	451,857	86,233	4,941,768
Total Accumulated Depreciation	116,671,087	7,449,730	86,233	124,034,584
Total Capital Assets, being Depreciated, Net	286,944,077	4,843,279	12,892	291,774,464
Water System Capital Assets, Net	\$ 296,794,471	16,430,451	10,299,683	302,925,239
Lincoln Electric System:				
Capital Assets, not being Depreciated:				
Construction in Progress	\$ 52,684,000	55,132,000	37,796,000	70,020,000
Capital Assets, being Depreciated:				
Utility Plant	1,267,997,000	36,904,000	4,693,000	1,300,208,000
Less Accumulated Depreciation	506,423,000	41,947,000	5,585,000	542,785,000
Total Capital Assets, being Depreciated, Net	761,574,000	(5,043,000)	(892,000)	757,423,000
Electric System Capital Assets, Net	\$ 814,258,000	50,089,000	36,904,000	827,443,000

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 2013, capitalized interest activity was as follows:

	Incurred Interest Cost	Capitalized Interest
Lincoln Wastewater System	\$ 3,036,393	73,366
Lincoln Water System	2,347,697	248,479
Lincoln Parking System	1,188,954	148,919
Golf Fund	39,191	23,495

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 debt during the current period. The weighted-average rate for 2012 was 4.6%, until August 2012. On September 1, 2012 the rate was decreased to 3.5%.

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

(8) INTERFUND BALANCES AND ACTIVITY

Balances Due To/From Other Funds at August 31, 2013, consist of the following:

	Due To	Due From					
		General Fund	Street Construction	West Haymarket JPA	Nonmajor Governmental	Nonmajor Enterprise	Internal Service
General Fund	\$	-	645	15,499	33,538	898,149	537,478
Street Construction		402,532	-	-	8,635,505	-	-
West Haymarket JPA		499,322	-	-	-	-	-
Nonmajor Governmental		529,030	-	-	1,225,880	6,251	-
Lincoln Wastewater System		174,043	-	-	274,406	-	-
Lincoln Water System		195,924	-	-	867,183	-	-
Nonmajor Enterprise		202,345	5,846	-	33	162,385	-
Internal Service		873,392	281,977	9	98,982	29,364	65,486
Total	\$	2,876,588	288,468	15,508	11,135,527	1,096,149	602,964

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

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

Transfers To/From Other Funds for the year ended August 31, 2013, consist of the following:

	Transfer To	Transfer From						
		General Fund	Street Construction	Nonmajor Governmental	Lincoln Electric System	Lincoln Wastewater	Lincoln Water	Nonmajor Enterprise
General Fund	\$	-	-	531,048	8,609,168	510	250,510	1,450,205
Street Construction		2,968,449	-	16,330,509	-	-	-	9,023
Nonmajor Governmental		17,606,672	4,272,216	2,934,049	-	11,212	554,563	1,163,226
Nonmajor Enterprise		628,187	-	29,715	-	-	-	-
Internal Service		79,992	-	-	-	-	-	-
Total	\$	21,283,300	4,272,216	19,825,321	8,609,168	11,722	805,073	2,622,454

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 \$250,168 variance for transfers on the Statement of Activities is caused by the different fiscal year end dates used by the City (August 31) and Lincoln Electric System (December 31). Lincoln Electric System records an estimate for payments of return on equity as an accrued liability at December 31. The City however, receives the payments before the August 31 fiscal year end, and records the total amount as a transfer in.

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

(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, 2012, LES had \$88.5 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, 2012, was 0.16%. 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 2012 was 51 days.

Commercial paper activity for the year ended December 31, 2012, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lincoln Electric System:					
Commercial Paper Notes	\$ 128,500,000	779,500,000	(819,500,000)	88,500,000	88,500,000

LONG-TERM

The City issues general obligation, special assessment, and revenue bonds to finance the acquisition and construction of major capital assets. Bonded indebtedness has also been entered into to advance refund several general obligation and revenue bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Special assessment bonds are repaid from amounts levied against affected property owners, but in the unlikely event collections are not sufficient to make debt payments, the responsibility rests with the City to meet that obligation. For revenue bonds the government pledges income derived from the acquired or constructed assets to pay the debt service.

Net position of \$4,413,826, \$3,293,427, \$10,244,591, and \$572,805 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	19,902,404	1,576,024
Improvements	219,925	-
Infrastructure	17,442,628	-
Machinery and Equipment	6,383,372	3,438,897
Construction in Progress	5,367,422	-
Less Accumulated Depreciation, (where applicable)	(8,610,204)	(2,249,521)
Total	\$ 42,479,997	\$ 2,975,400

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.

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

In 2013 the City issued the following refunding bonds:

- \$277,315,000 of LES revenue and refunding bonds to advance refund \$58,040,000 of series 2002 bonds, \$94,435,000 of series 2003 bonds, and \$61,290,000 of series 2005 bonds. The issuance was also used to fund electric system projects and the redemption of \$40,000,000 of outstanding commercial paper notes. The refunding resulted in debt service savings of approximately \$40,860,000 and net present value savings of approximately \$28,140,000.
- \$2,900,000 in parking revenue refunding bonds with an average interest rate of 2.52% to advance refund \$3,290,000 of 2001 parking revenue bonds. The refunding resulted in a cash flow differential of \$673,821, and a net present value savings of \$519,494.
- \$2,490,000 in solid waste management revenue refunding bonds with an average interest rate of 2.39% to refund \$2,800,000 in outstanding solid waste management revenue bonds, series 2006. The refunding resulted in a cash flow differential of \$425,451 and a net present value savings of \$267,683.
- \$28,595,000 in water revenue refunding bonds with an average interest rate of 3.42% to advance refund \$31,210,000 in outstanding water revenue bonds, series 2004. The refunding resulted in a cash flow differential of \$5,748,864 and a net present value savings of \$3,315,926.

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

The Wastewater System has also entered into a \$17,000,000 loan agreement with NDEQ to fund certain System improvements. The interest rate during the period of construction is 2%. After the date of initiation of operation, the interest rate will increase to 2.25%. In addition, an administrative fee of 1% will be incurred on the loan. During the fiscal year ended August 31, 2013, Lincoln Wastewater System incurred project costs totaling \$4,929,999, resulting in a project loan payable of \$10,136,822. The remaining available funds totaling \$6,863,178 are not reflected in the financial statements.

Lincoln Water System has entered into a \$15,000,000 loan agreement with NDEQ. This funding is available to fund certain water system extension and water repairs. The interest rate during the period of construction is 2%. After the date of initiation of operation, the interest rate will increase to 2.25%. In addition, an administrative fee of 1% will be incurred on the loan. During the year ended August 31, 2013, project costs were incurred totaling \$7,383,648, resulting in the recognition of a project loan payable of \$9,439,593. The remaining available funds totaling \$5,560,407 are not reflected in the financial statements.

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

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

Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
Governmental Activities:							
General Obligation Bonds:							
General Bonds:							
\$ 9,950	06/15/05	Storm Sewer Construction	3.250 - 4.250	Serial 2006 to 2025	2015	Semiannually	\$ 6,795
8,295	06/27/07	Stormwater Drainage and Flood Mgmt	4.625 - 5.000	Serial 2008 to 2027	2017	"	6,590
8,200	02/10/11	Stormwater Bonds	2.000 - 4.500	Serial 2013 to 2030	2020	"	7,835
19,290	06/21/11	Refunding	0.200 - 5.000	Serial 2011 to 2022	2019	"	16,710
8,090	06/26/12	Refunding	1.000 - 3.000	Serial 2013 to 2023	---	"	7,185
6,385	03/20/13	Stormwater Bonds	2.000 - 4.000	Serial 2014 to 2029	2023	"	6,385
1,515	03/20/13	Stormwater Bonds	3.125	Term 2032	2023	"	1,515
Total General Bonds							<u>\$ 53,015</u>
Tax Allocation Bonds:							
\$ 5,500	04/21/04	Tax Allocation Bonds	3.000 - 4.800	Serial 2004 to 2015	2010	Semiannually	\$ 1,930
365	08/15/05	Tax Allocation Bonds	4.750	Serial 2006 to 2018	Anytime	"	157
288	10/01/06	Tax Allocation Bonds	5.100	Serial 2008 to 2016	Anytime	"	124
2,205	04/05/07	Tax Allocation Bonds	5.000 - 5.550	Serial 2009 to 2018	2012	"	1,455
601	06/01/07	Tax Allocation Bonds	5.240	Serial 2008 to 2018	Anytime	"	535
388	06/01/07	Tax Allocation Bonds	5.240	Serial 2007 to 2020	Anytime	"	248
369	06/15/07	Tax Allocation Bonds	5.400	Serial 2007 to 2014	Anytime	"	86
42	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2021	Anytime	"	31
71	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2017	Anytime	"	53
474	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2022	Anytime	"	225
547	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	400
200	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	144
611	06/30/09	Tax Allocation Bonds	7.00	Serial 2011 to 2023	Anytime	"	573
3,375	07/28/09	Tax Allocation Bonds	2.500 - 6.400	Serial 2011 to 2023	Anytime	"	2,970
263	04/01/11	Tax Allocation Bonds	3.990	Serial 2011 to 2022	Anytime	"	224
103	04/15/13	Tax Allocation Bonds	2.370	Serial 2013 to 2025	Anytime	"	99
Total Tax Allocation Bonds							<u>\$ 9,254</u>
Tax Supported Bonds:							
\$ 27,000	12/05/06	Highway Allocation Fund	4.000 - 5.000	Serial 2008 to 2027	2016	Semiannually	\$ 21,030
28,095	06/06/12	Highway Allocation Fund Refunding	1.000 - 5.000	Serial 2012 to 2023	---	"	27,135
16,515	07/23/13	Limited Tax Arena Bonds	2.000 - 4.500	Serial 2016 to 2031	2023	"	16,515
2,635	07/23/13	Limited Tax Arena Bonds	2.000 - 4.500	Term 2035	2023	"	2,635
5,850	07/23/13	Limited Tax Arena Bonds	2.000 - 4.500	Term 2037	2023	"	5,850
Total Tax Supported Bonds							<u>\$ 73,165</u>
Special Assessment Bonds:							
\$ 825	08/18/11	Special Assessment	0.400 - 3.700	Serial 2012 to 2026	2016	Semiannually	\$ 725
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	"	2,740
Total Special Assessment Bonds							<u>\$ 3,840</u>
West Haymarket Joint Public Agency							
\$ 31,515	09/08/10	Facility Bonds Taxable Build America Bonds	3.500 - 4.45	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 - 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
Total West Haymarket Joint Public Agency							<u>\$ 300,000</u>
TOTAL GENERAL OBLIGATION BONDS							<u>\$ 439,274</u>
Tax Supported Bonds:							
\$ 11,080	3/13/02	Antelope Valley Project	1.500 - 5.000	Serial 2002 to 2016	2012	Semiannually	<u>\$ 4,470</u>

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
Business-Type Activities:							
Revenue Bonds:							
\$ 18,000	08/03/05	Wastewater Revenue	4.000 - 5.000	Serial 2006 to 2030	2015	Semiannually	\$ 13,900
16,710	04/18/07	Wastewater Revenue	4.000 - 4.500	Serial 2008 to 2029	2017	"	13,595
3,750	04/18/07	Wastewater Revenue	4.375	Term 2032	2017	"	3,750
38,290	05/24/12	Wastewater Revenue and Refunding	1.000 - 5.000	Serial 2013 to 2028	2023	"	36,325
Total Wastewater Bonds							<u>\$ 67,570</u>
\$ 10,515	08/04/09	Water Revenue	2.000 - 4.125	Serial 2013 to 2029	2019	Semiannually	\$ 10,050
4,905	08/04/09	Water Revenue	4.5000	Term 2034	2019	"	4,905
10,895	06/21/12	Water Revenue Refunding	1.000 - 4.000	Serial 2013 to 2022	---	"	9,885
28,595	05/30/13	Water Revenue Refunding	1.000 - 5.000	Serial 2014 to 2025	2023	"	28,220
Total Water Bonds							<u>\$ 53,060</u>
\$ 2,065	12/29/10	Parking Revenue	1.250 - 2.850	Serial 2011 to 2014	---	Semiannually	\$ 600
7,745	01/27/11	Parking Revenue and Refunding	2.000 - 5.000	Serial 2015 to 2024	2021	"	7,745
10,775	01/27/11	Parking Revenue and Refunding	5.000 / 5.125 / 5.500	Term 2026 & 2031	2021	"	10,775
9,315	11/29/12	Parking Revenue and Refunding	0.400 - 4.000	Serial 2013 to 2027	2022	"	8,630
2,765	11/29/12	Parking Revenue and Refunding	3.00	Term 2032	2022	"	2,765
Total Parking Bonds							<u>\$ 30,515</u>
\$ 8,340	02/26/13	Solid Waste Management Revenue and Refunding	.250 - 4.000	Serial 2013 to 2029	2023	Semiannually	\$ 7,865
\$ 93,045	10/01/03	Electric Revenue and Refunding Bonds	3.000 - 5.000	Serial 2004 to 2026	2014	Semiannually	\$ 10,330
53,710	10/01/05	Electric Revenue Bonds	4.750	Term 2035	2015	"	53,710
183,230	05/15/07	Electric Revenue and Refunding Bonds	4.000 - 5.000	Serial 2009 to 2035	2016	"	168,285
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	2016	"	247,150
30,165	08/15/12	Electric Revenue and Refunding Bonds	3.625 - 5.000	Term 2037	2016	"	30,165
Total Electric Bonds							<u>\$ 591,490</u>
TOTAL REVENUE BONDS							<u>\$ 750,500</u>

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

Fiscal Year Ended August 31	Governmental Activities					
	General Obligation Bonds		Tax Supported Bonds		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 8,883	20,158	780	200	4,812	1,163
2015	9,593	19,915	815	162	5,347	1,047
2016	10,863	19,574	855	122	5,195	902
2017	9,987	19,225	2,020	51	3,580	765
2018	10,204	18,881	-	-	2,970	658
2019 - 2023	69,100	87,819	-	-	10,694	2,119
2024 - 2028	71,239	71,698	-	-	6,220	575
2029 - 2033	65,095	56,927	-	-	275	20
2034 - 2038	71,235	40,760	-	-	-	-
2039 - 2043	79,245	21,177	-	-	-	-
2044 - 2046	33,830	3,032	-	-	-	-
Total	<u>\$ 439,274</u>	<u>379,166</u>	<u>4,470</u>	<u>535</u>	<u>39,043</u>	<u>7,249</u>

Fiscal Year Ended August 31	Business-Type Activities					
	Revenue Bonds		Loans/Note Payable		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 28,655	32,544	532	375	450	46
2015	29,895	31,679	888	715	399	36
2016	31,075	30,446	1,280	695	346	29
2017	33,060	29,201	1,309	666	352	23
2018	34,445	27,763	1,339	637	202	17
2019 - 2023	163,835	115,149	7,172	2,707	640	32
2024 - 2028	136,525	82,691	7,263	1,828	-	-
2029 - 2033	135,440	52,405	7,295	832	-	-
2034 - 2038	157,570	22,392	1,926	64	-	-
Total	<u>\$ 750,500</u>	<u>424,270</u>	<u>29,004</u>	<u>8,519</u>	<u>2,389</u>	<u>183</u>

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

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
2014	\$ 3,619	3,014	3,685	1,755	19,865	26,780
2015	3,695	2,977	4,060	1,990	21,060	26,083
2016	4,202	2,808	4,100	1,919	22,050	25,093
2017	4,361	2,631	4,161	1,847	23,800	24,109
2018	4,444	2,525	4,268	1,711	24,990	22,919
2019 - 2023	24,099	10,538	21,910	6,131	114,230	95,835
2024 - 2028	28,259	5,661	11,119	2,758	93,100	72,801
2029 - 2033	11,573	1,198	7,498	1,224	115,905	50,093
2034 - 2037	1,308	50	1,698	63	156,490	22,343
Total	\$ 85,560	31,402	62,499	19,398	591,490	366,056

Long-term liability activity for the year ended August 31, 2013, 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	\$ 49,340	7,900	(4,225)	53,015	4,240
Tax Allocation Bonds	10,358	103	(1,207)	9,254	1,278
Tax Supported Bonds	50,250	25,000	(2,085)	73,165	3,190
Special Assessment Debt with Government Commitment	4,010	-	(170)	3,840	175
West Haymarket Joint Public Agency Bonds	300,000	-	-	300,000	-
Tax Supported Antelope Valley Project Bonds	5,210	-	(740)	4,470	780
Capital Leases	33,371	10,000	(4,328)	39,043	4,812
Gross Bonds and Leases Payable	452,539	43,003	(12,755)	482,787	14,475
Deferred Amounts:					
For Issuance Premiums	11,448	1,531	(367)	12,612	-
For Issuance Discounts	(1,004)	-	2	(1,002)	-
Net Bonds and Leases Payable	462,983	44,534	(13,120)	494,397	14,475
Other Liabilities:					
Compensated Absences	15,161	10,128	(7,681)	17,608	8,163
Construction Contracts	4,492	-	(136)	4,356	-
Commissions Payable	-	2,466	-	2,466	106
Claims and Judgements	10,303	26,010	(26,533)	9,780	3,734
Net Pension Obligation	3,116	136	-	3,252	-
Net OPEB Obligation	5,444	1,998	-	7,442	-
Governmental Activities Long-Term Liabilities	\$ 501,499	85,272	(47,470)	539,301	26,478
Business-Type Activities:					
Bonds, Loans, Note, and Leases Payable:					
Wastewater Revenue Bonds	\$ 70,690	-	(3,120)	67,570	3,245
Wastewater Loan Payable	13,904	4,454	(368)	17,990	374
Water Revenue Bonds	57,525	28,595	(33,060)	53,060	3,685
Water Loan Payable	2,628	6,811	-	9,439	-
Electric System Revenue Bonds	547,550	277,315	(233,375)	591,490	19,865
Parking Revenue Bonds	22,995	12,080	(4,560)	30,515	1,310
Solid Waste Management Revenue Bonds	2,800	8,340	(3,275)	7,865	550
Pinnacle Bank Arena Note	-	1,575	-	1,575	158
Capital Leases	2,271	512	(394)	2,389	450
Gross Bonds, Loans, Note, and Leases Payable	720,363	339,682	(278,152)	781,893	29,637
Deferred Amounts:					
For Issuance Premiums	14,928	39,112	(4,737)	49,303	-
For Issuance Discounts	(65)	-	2	(63)	-
Net Bonds, Loans, Note, and Leases Payable	735,226	378,794	(282,887)	831,133	29,637
Other Liabilities:					
Compensated Absences	1,739	1,511	(1,080)	2,170	1,268
Construction Contracts	5,400	5,407	(5,092)	5,715	5,429
Claims and Judgements	941	5,385	(5,243)	1,083	700
Net OPEB Obligation	837	307	-	1,144	-
Accrued Landfill Closure/Postclosure Care Costs	15,436	636	(168)	15,904	-
Business-Type Activities Long-Term Liabilities	\$ 759,579	392,040	(294,470)	857,149	37,034

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

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

Long-term liability activity for the major enterprise funds for the year ended August 31, 2013, was as follows (in thousands of dollars):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lincoln Wastewater System:					
Bonds and Loans Payable:					
Wastewater Revenue Bonds	\$ 70,690	-	(3,120)	67,570	3,245
Wastewater Loans Payable	13,904	4,454	(368)	17,990	374
Deferred for Issuance Premiums	4,012	-	(253)	3,759	-
Deferred for Issuance Discounts	(10)	-	1	(9)	-
Net Bonds and Loans Payable	88,596	4,454	(3,740)	89,310	3,619
Other Liabilities:					
Compensated Absences	566	441	(354)	653	368
Construction Contracts	3,451	1,529	(3,333)	1,647	1,529
Net OPEB Obligation	162	59	-	221	-
Total Long-Term Liabilities	\$ 92,775	6,483	(7,427)	91,831	5,516
Lincoln Water System:					
Bonds and Loan Payable:					
Water Revenue Bonds	\$ 57,525	28,595	(33,060)	53,060	3,685
Water Loan Payable	2,628	6,811	-	9,439	-
Deferred for Issuance Premiums	2,105	2,719	(1,201)	3,623	-
Deferred for Issuance Discounts	(33)	-	3	(30)	-
Net Bonds and Loan Payable	62,225	38,125	(34,258)	66,092	3,685
Other Liabilities:					
Compensated Absences	800	579	(429)	950	465
Construction Contracts	1,949	3,878	(1,758)	4,069	3,900
Net OPEB Obligation	235	87	-	322	-
Total Long-Term Liabilities	\$ 65,209	42,669	(36,445)	71,433	8,050
Lincoln Electric System:					
Bonds Payable:					
Electric System Revenue Bonds	\$ 547,550	277,315	(233,375)	591,490	19,865
Deferred for Issuance Premiums	8,788	35,528	(3,225)	41,091	-
Net Bonds Payable	556,338	312,843	(236,600)	632,581	19,865
Other Liabilities:					
Claims and Judgements	941	5,385	(5,243)	1,083	700
Total Long-Term Liabilities	\$ 557,279	318,228	(241,843)	633,664	20,565

DEVELOPER PURCHASED TAX INCREMENT FINANCING NOTES AND BONDS

At August 31, 2013, \$12,564,883 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

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

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, 2013, \$19,155,000 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, 2013, which discloses the nature and amount of the adjustments necessary to convert the actual GAAP data to the budgetary basis, is presented below:

	<u>General Fund</u>	<u>Street Construction Fund</u>
Net Change in Fund Balances:		
Balance on a GAAP basis	\$ 6,117,963	26,191,854
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.	(1,012,864)	(402,520)
Perspective differences occur when the structure used for budgeting differs from the fund structure used for financial reporting.	304,895	-
Amount budgeted on a project basis.	-	(1,629,821)
Balance on a budget basis	<u>\$ 5,409,994</u>	<u>24,159,513</u>

(11) DEFICIT NET POSITION

The following funds had a net position or fund balance deficit as of August 31, 2013:

Special Revenue - Impact Fees Fund	\$ (133,773)
Enterprise – Pinnacle Bank Arena Fund	(1,675,001)
Internal Service - Engineering Revolving Fund	(859,104)
Internal Service - Communication Services Fund	(15,703)

The Impact Fees Fund deficit is expected to be reduced through future fee collections.

The Pinnacle Bank Arena Fund was recently created to manage the operation of a new Arena, which opened in August of 2013. The Fund has just begun receiving revenue.

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

The Engineering Revolving Fund is evaluating various means to reduce expenses and improve revenue collections affected by staffing levels, overhead costs, billing practices, and intra-City services reimbursements.

The Communication Service Fund is currently adjusting their billing process and when completed is expected to reduce the deficit.

(12) EXCESSES OF EXPENDITURES OVER APPROPRIATIONS

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

General Fund	
Street Lighting	\$ 973,965
Debt Service	48,524

(13) EMPLOYEES' RETIREMENT PLANS

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

POLICE AND FIRE PENSION

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

The City has established the Deferred Retirement Option Plan (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.

Membership of the pension plan consisted of the following at August 31, 2013, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	448
Terminated plan members entitled to but not yet receiving benefits	24
Active plan members (non-DROP)	573
DROP members	48
Total	<u>1,093</u>
Number of participating employers	<u>1</u>

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

Funding Policy – The contribution requirements of plan members and the City are established by City Ordinance #15728 dated September 24, 1990, 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. The City is required to contribute at an actuarially determined rate; the rate for fiscal year 2013 was 18.02% of annual covered payroll. Actual contributions by the City were 16.92% of annual covered payroll. Administrative costs of PFDP are financed through investment earnings.

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

(Dollar amounts in thousands)

Annual required contribution	\$ 6,718
Interest on net pension obligation	234
Adjustment to annual required contribution	<u>(369)</u>
Annual pension cost	6,583
Contributions made	<u>(6,447)</u>
Increase in net pension obligation	136
Net pension obligation beginning	<u>3,116</u>
Net pension obligation ending	<u><u>\$ 3,252</u></u>

Three-Year Trend Information
(Dollar amounts in thousands)

Year Ended August 31	Annual Pension Cost (APC)	Annual Pension Contribution	Percentage of APC Contributed	Net Pension Obligation
2013	\$ 6,583	\$ 6,447	98 %	\$ 3,252
2012	5,411	6,052	112	3,116
2011	4,495	4,334	96	3,757

Actuarial Methods and Assumptions – The annual required contribution for the current year was determined as part of the August 31, 2011, actuarial valuation using the entry age actuarial funding method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 4.25 to 8.25% per year, including wage inflation at 4.25%, and (c) the assumption that benefits will not increase after retirement. The actuarial value of assets was determined using a five year smoothed market method. The unfunded actuarial accrued liability is being amortized as a level percentage of payrolls on an open basis over a period of thirty years.

Funded Status and Funding Progress – As of August 31, 2013, the most recent actuarial valuation date, the plan was 75% funded. The actuarial accrued liability for benefits was \$229,193,000, and the actuarial value of assets was \$172,289,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$56,904,000. The covered payroll (annual payroll of active employees covered by the plan) was \$38,108,000, and the ratio of the UAAL to the covered payroll was 149.3%.

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

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

ELECTRIC SYSTEM

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

LES has a defined contribution retirement plan created in accordance with Internal Revenue Code Section 401(K) covering all employees upon employment. The plan assets are held, managed and administered by a trustee. 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, 2012, LES incurred contribution expense of approximately \$3,533,000 or 9.45% of covered payroll and its employees contributed approximately \$2,490,000 or 6.66% 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, 2012, was \$1,702,521. City contributions totaled \$190,517 or 11.19% of covered payroll and employee contributions totaled \$8,306 or 5.75% of covered payroll. There were no voluntary employee contributions made for the year ended December 31, 2012.

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, 2012, total payroll was approximately \$79,118,000 and covered payroll was approximately \$70,184,000. City contributions totaled \$7,942,254 or 11.32% of covered payroll and employee contributions totaled \$4,123,488 or 5.88% of covered payroll. Employees made \$75,153 in voluntary contributions for the year ended December 31, 2012.

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

(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, 2013, was calculated as follows:

(Dollar amounts in thousands)

Annual required contribution	\$ 3,098
Interest on net OPEB obligation	282
Adjustment to annual required contribution	(369)
Annual OPEB cost	3,011
Contributions made	(705)
Increase in net OPEB obligation	2,306
Net OPEB obligation beginning	6,283
Net OPEB obligation ending	<u>\$ 8,589</u>

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
2013	\$ 3,011,000	23.4 %	\$ 8,589,000
2012	3,033,000	23.2	6,283,000
2011	2,078,000	25.2	3,955,000

Funded Status and Funding Progress – As of September 1, 2011, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial liability for benefits was \$24,902,000 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$24,902,000. Annual covered payroll was approximately \$118,498,000, and the ratio of the UAAL to the covered payroll was 21.0%.

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

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

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, 2011 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 9.0% initially, reduced by decrements to an ultimate rate of 5.8% for 2020 and beyond. The general inflation rate used for derivation of these calculations is 2.5%. Participation assumptions include 60% of eligible civilian members and 40% of eligible Fire/Police members electing coverage, with 30% and 20% participation assumed for 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 \$1,251,000.

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 they 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 2012 tax levy, for the 2012-2013 fiscal year, was \$107,939,016 below the legal limit, with a tax rate per \$100 valuation of \$0.3158. The assessed value upon which the 2012 levy was based was \$16,676,196,896.

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

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

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 2012-2013 are recorded as revenue in the fund financial statements when expected to be collected within 60 days after August 31, 2013. 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 deferred 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, 2013, the City had a self-insured retention for workers' compensation exposures up to \$850,000 per individual; law enforcement liability, general liability, public officials liability, public transportation liability, medical professional liability, and auto liability exposures up to \$250,000 per occurrence; building and contents property exposures up to \$50,000 per occurrence; health care benefits with \$150,000 claim specific stop loss; self-insured dental benefits; and 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 \$850,000 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 \$9,780,084 were recorded at August 31, 2013, which do not include claims relating to Lincoln Electric System's self-funded health and dental insurance program. Excluding medical care claims approximating \$1,485,000, 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

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

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 .35% discount rate. The City purchased an annuity contract in the amount of \$36,972 in the current fiscal year to fund a Medicare set-aside on a Worker's Compensation claim.

The following is a summary of the changes in the estimated claims liability for the years ended August 31, 2013 and 2012:

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

<u>2012</u>	Worker's Compensation and Others	Long-Term Disability	Health and Dental	Total
Balance at September 1	\$ 6,850,000	1,029,797	2,909,159	10,788,956
Current year claims and changes in estimates	4,162,000	(12,220)	22,310,855	26,460,635
Claims payments	(3,283,000)	(131,373)	(23,532,180)	(26,946,553)
Balance at August 31	<u>\$ 7,729,000</u>	<u>886,204</u>	<u>1,687,834</u>	<u>10,303,038</u>

LINCOLN ELECTRIC SYSTEM

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

	<u>2012</u>	<u>2011</u>
Balance beginning of year	\$ 941,000	604,000
Claims accrued	5,385,000	6,253,000
Claims paid/other	(5,243,000)	(5,916,000)
Balance end of year	<u>\$ 1,083,000</u>	<u>941,000</u>

As required by state statute, LES maintains an incurred but not reported claims reserve which is actuarially determined, the balance of which was \$383,000 and \$382,000 at December 31, 2012 and 2011, respectively. LES established two separate bank accounts for the self-funded employee health and dental insurance plan reserve to ensure compliance with statutory requirements. Although not required by the statute, LES maintains excess insurance which limits the total claims liability for each plan year to not more than 125% of the expected claims liability, up to an annual aggregate maximum of \$1,000,000.

(17) COMMITMENTS AND CONTINGENCIES

GENERAL

The City participates in a number of federally assisted grant programs. Federal 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, 2013, approximately 96% of the full-time, regular City's employees are represented by a Union. Most existing union contracts expire in August 2014. All future labor contracts involving City employees will be negotiated to cover, at a minimum, a two-year period coinciding with the new biennial budget process.

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

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.

The City has entered into various agreements with developers to build infrastructure for new developments. As of August 31, 2013, the City's commitment to developers is estimated to be approximately \$31,500,000.

STREET CONSTRUCTION PROJECTS

The City's Street Construction Fund has commitments under major construction contracts in progress of approximately \$4,400,000 as of August 31, 2013, which will be financed primarily through highway user fees, bond proceeds, federal and state grants, and developer contributions.

WEST HAYMARKET JOINT PUBLIC AGENCY

The West Haymarket JPA Fund has commitments under major construction contracts in progress of approximately \$32,500,000 as of August 31, 2013.

PARKING FACILITIES

The Lincoln Parking System has commitments under major contracts in progress of approximately \$2,700,000 as of August 31, 2013.

LINCOLN WASTEWATER SYSTEM

The Lincoln Wastewater System has commitments under major construction contracts in progress of approximately \$3,400,000 as of August 31, 2013.

LINCOLN WATER SYSTEM

The Lincoln Water System has commitments under major construction contracts in progress of approximately \$6,600,000 as of August 31, 2013.

LINCOLN ELECTRIC SYSTEM

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

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

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

The participation contracts continue until the facilities are removed from commercial operation or the final maturity occurs on the related debt incurred by NPPD to finance the facilities, whichever occurs last. The estimated fixed cost payments to NPPD under these contracts, including capital additions and improvements, debt service payments and fixed costs, and credits aggregate approximately \$18,100,000, \$18,500,000, \$18,900,000, \$19,300,000, and \$19,800,000, respectively, in each of the five years subsequent to December 31, 2012.

(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, 2013, the City had incurred a liability of approximately \$11,120,000 for the municipal solid waste landfill which represents the amount of costs reported to date based on the approximately 52% of landfill capacity used to date. The remaining estimated liability for these costs is approximately \$10.1 million, which will be recognized as the remaining capacity is used (estimated to be approximately 24 years).

As of August 31, 2013, the City had incurred a liability of approximately \$550,000 for the construction and demolition debris landfill which represents the amount of costs reported to date based on the approximately 55% of landfill capacity used to date. The remaining estimated liability for these costs is approximately \$460,000, which will be recognized as the remaining capacity is used (estimated to be approximately 16 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, 2013, a liability for closure and postclosure care costs is recorded in the amount of approximately \$4,234,000, 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,

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

and re-cycling drop-off program. Summary financial information for these divisions as of and for the year ended August 31, 2013, is presented as follows:

	Parking Facilities	Solid Waste Management
CONDENSED STATEMENT OF NET POSITION		
Assets:		
Current Assets, excluding Due from Other Funds	\$ 1,514,831	3,288,827
Due from Other Funds	92,003	93,208
Other Assets	12,493,678	8,091,114
Capital Assets	60,491,857	20,883,167
Total Assets	<u>74,592,369</u>	<u>32,356,316</u>
Deferred Outflows of Resources	<u>53,602</u>	<u>42,315</u>
Liabilities:		
Current Liabilities, excluding Due to Other Funds	5,624,492	1,066,105
Due to Other Funds	12,195	6,464
Noncurrent Liabilities	29,514,475	23,824,791
Total Liabilities	<u>35,151,162</u>	<u>24,897,360</u>
Net Position:		
Net Investment in Capital Assets	32,982,736	18,974,328
Restricted	5,135,653	-
Unrestricted	1,376,420	(11,473,057)
Total Net Position	<u>\$ 39,494,809</u>	<u>7,501,271</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION		
Operating Revenues	\$ 8,444,056	5,989,760
Depreciation Expense	(1,590,680)	(1,833,106)
Other Operating Expenses	(3,919,678)	(6,404,530)
Operating Income (Loss)	<u>2,933,698</u>	<u>(2,247,876)</u>
Nonoperating Revenues (Expenses):		
Investment Earnings (Loss)	(90,356)	(68,191)
Gain (Loss) on Disposal of Capital Assets	(627)	21,017
Insurance Recovery	-	449
Occupation Tax	-	2,011,468
Debt Issuance Expense	(176,770)	(138,540)
Interest Expense and Fiscal Charges	(1,040,036)	(116,871)
Capital Contributions	-	-
Transfers	(472,236)	(1,151,405)
Change in Net Position	<u>1,153,673</u>	<u>(1,689,949)</u>
Beginning Net Position	38,659,477	9,244,073
Adjustment for Implementation of GASB 65	(318,341)	(52,853)
Ending Net Position	<u>\$ 39,494,809</u>	<u>7,501,271</u>
CONDENSED STATEMENT OF CASH FLOWS		
Net Cash Provided (Used) by:		
Operating Activities	\$ 4,758,385	188,120
Noncapital Financing Activities	(425,574)	828,967
Capital and Related Financing Activities	(119,924)	4,888,641
Investing Activities	(2,930,625)	(5,023,562)
Net Increase in Cash	<u>1,282,262</u>	<u>882,166</u>
Beginning Balance	3,034,791	305,702
Ending Balance	<u>\$ 4,317,053</u>	<u>1,187,868</u>

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

(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 2035. The total principal and interest remaining to be paid on the debt is \$116,961,526, with annual payments expected to require 53% of net revenues. Principal and interest paid for the current year and net system revenues were \$6,577,604 and \$12,466,116, 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 \$81,897,361, with annual payments expected to require 23% of net revenues. Principal and interest paid for the current year and net system revenues were \$4,195,562 and \$18,128,425, respectively.

The City has pledged future revenues derived from the operation of the Lincoln Electric System, net of operating, maintenance and certain power 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 \$957,546,000, with annual payments expected to require 51% of net revenues. Principal and interest paid for the current year and net system revenues were \$46,264,000 and \$90,212,000, 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 \$44,519,784, with annual payments expected to require 46% of net revenues. Principal and interest paid for the current year and net system revenues were \$2,423,949 and \$4,524,377, respectively.

The City has pledged future revenues derived from the operation of the municipally owned solid waste management facilities, net of operating and maintenance expenses, to repay outstanding solid waste management revenue bonds. Proceeds from the bonds provided financing for improvements to the solid waste facilities and to refund prior revenue bonds. The bonds are payable solely from the net earnings of the Solid Waste System and are payable through 2029. The total principal and interest remaining to be paid on the bonds is \$9,793,670, with annual payments expected to require 36% of net revenues. Principal and interest paid for the current year and net system revenues were \$608,463 and \$845,102 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, 2013, the City made rental payments of approximately \$2.9 million to the Commission.

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

As of August 31, 2013, the Commission has bonds outstanding of \$35,970,000 attributable to several bond issues. Certain proceeds from the bonds totaling \$28,945,000 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 such buildings are recorded as capital assets and the corresponding debt are reflected as capital leases in the City's financial statements. Lease payments are not recorded as capital lease payments in the Debt Service funds but rather are recorded as current expenditures in the various individual funds.

Additional bond proceeds, totaling \$29,000,000, have been utilized by the Commission to construct a new County-City building and to renovate the prior County-City building to be used as a Hall of Justice. 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 occupancy in such buildings. Such contributions are expected to be minimal and will be expensed in the appropriate funds when incurred. The City's proportionate share of the 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.

In 2012, the Commission recorded a note payable of \$1,670,000. The note is secured through assignment of the lease on the building purchased with the proceeds. The City's proportionate share of the building 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.

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, 2013, total assets of JAVA reached approximately \$200 million, an increase of \$1 million from the prior year. The City's equity interest in the Project is approximately \$165 million.

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

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

(23) JOINTLY OWNED FACILITIES

Laramie River Station (LRS)

LES is a 12.76% co-owner of the Missouri Basin Power Project, that includes LRS, a three-unit, 1,650 MW coal-fired generating station in eastern Wyoming and a related transmission system. LES has sold approximately 13% of its ownership in LRS to Municipal Energy Agency of Nebraska (MEAN). Costs, net of accumulated depreciation, and excluding costs allocated to MEAN for its ownership share, associated with LRS of approximately \$16 million are reflected in utility plant at December 31, 2012.

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, LRS is removed from commercial operation, or the County gives LES eighteen-months notice to terminate the agreement. During 2012, 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. A portion of these funds are due to MEAN and the County of Los Alamos.

Walter Scott Energy Center (WS4)

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

(24) JOINTLY GOVERNED ORGANIZATIONS

District Energy Corporation

LES, in conjunction with two other governmental entities, created the District Energy Corporation (DEC) in 1989 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

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2013

was approximately \$833,000 in 2012. The total amount of payments to LES for energy was approximately \$225,000 in 2012.

Nebraska Utility Corporation

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

Operations commenced in January 2002. The NUCorp board of directors, under a twenty-year management agreement, appointed LES to supervise and manage the system and business affairs of NUCorp. LES is reimbursed for these management services based on the allocated actual costs of these services. LES also provides electric energy to NUCorp on an established rate schedule. The total payment to LES for management services was approximately \$89,000 in 2012. The total amount of payments to LES for energy was approximately \$9.8 million in 2012.

(25) SUBSEQUENT EVENTS

In November 2013, the WHJPA entered into a Direct Purchase Agreement with U.S. Bank National Association for General Obligation Promissory Notes, Series 2013, to provide funds for the West Haymarket Development Project, in the event funding was needed prior to the issuance of the WHJPA's Series 2013 bonds. Under the agreement, funding can be obtained as needed, up to \$10,000,000. The initial series of the Notes shall be in the principal amount of not less than \$1,000,000, with additional amounts being in required increments of at least \$100,000. The Notes bear interest at 0.50% plus the one-month LIBOR rate, and mature on November 14, 2014. The agreement provides for an unused commitment fee of 0.20% per annum on the average daily unused portion of the maximum commitment and shall be paid quarterly. As of the date of the Independent Auditor's Report, the WHJPA has not obtained any funding under this agreement.

In December 2013, the WHJPA issued \$28,175,000 of General Obligation Facility Bonds, Series 2013, to provide funds for certain projects under Phase 2 of the West Haymarket Development Project, primarily consisting of two additional parking decks in the downtown Haymarket area. Interest rates range from 2.0% to 5.0%. Debt service principal payments are scheduled annually at amounts that range from \$540,000 to \$1,285,000, with \$7,325,000 of term bonds due in 2044.

CITY OF LINCOLN, NEBRASKA
Required Supplementary Information
August 31, 2013

Schedule of Funding Progress for PFDP Pension
(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
August 31, 2013	\$ 172,289	\$ 229,193	\$ 56,904	75.2 %	\$ 38,108	149.3 %
August 31, 2012	164,500	214,879	50,379	76.6	36,311	138.7
August 31, 2011	165,436	204,990	39,554	80.7	35,763	110.6
August 31, 2010	172,317	195,206	22,889	88.3	34,233	66.9
August 31, 2009	177,526	187,292	9,766	94.8	33,450	29.2
August 31, 2008	179,390	179,376	(14)	100.0	32,266	(0.0)

Schedule of Employer Contributions for PFDP Pension
(dollar amounts in thousands)

Year Ended August 31	Annual Required Contribution	Annual Pension Contribution	Percentage Contributed
2013	\$ 6,718	\$ 6,447	96 %
2012	5,574	6,052	109
2011	4,652	4,334	93
2010	3,752	3,963	106
2009	3,316	3,572	108
2008	4,076	3,456	85

Schedule of Funding Progress for City OPEB
(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
September 1, 2011	\$ 0	\$ 24,902	\$ 24,902	0.0 %	\$ 118,498	21.0 %
September 1, 2009	0	19,796	19,796	0.0	112,002	17.7
September 1, 2007	0	5,662	5,662	0.0	106,787	5.3

APPENDIX C

DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS

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

Definitions

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

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

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

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

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

“Basic Rent Payment Date” means each September 15 and March 15 during the Lease Term, commencing on September 15, 2014.

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

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

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

“Certificates” means the Series 2014A Certificates and any Additional Certificates.

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

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

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

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

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

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

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

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

“Declaration of Trust” means the Declaration of Trust dated May 21, 2014, made by the Trustee, as the same may from time to time be amended or supplemented in accordance with its terms.

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

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

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

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

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

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

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

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

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

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

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

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

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

"Lease" means the Lease Purchase Agreement, dated May 21, 2014, between the Trustee, as lessor, and the City, as lessee, as amended and supplemented from time to time in accordance with its terms.

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

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

“Lease Term” means the term of the Lease beginning on the date of delivery of the Certificates and ending on March 15, 2024, unless earlier terminated in accordance with the provisions of the Lease.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Rent Payment” means a payment of Rent.

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

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

“Series 2014A Certificates” means the \$9,500,000 principal amount Certificates of Participation, Series 2014A, evidencing a proportionate interest in Basic Rent Payments to be made by The City of Lincoln, Nebraska, pursuant to a Lease Purchase Agreement, executed and delivered pursuant to the Declaration of Trust.

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

“State” means the State of Nebraska.

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

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

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

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

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

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

SUMMARY OF THE DECLARATION OF TRUST

General Provisions

The Declaration of Trust is made by the Trustee. The Declaration of Trust authorizes the Trustee to execute and deliver the Series 2014A Certificates, provides the terms of the Series 2014A Certificates and provides for various Funds related to the Equipment and the Lease.

Trust Estate

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

Additional Certificates

Upon the execution and delivery of a Supplemental Lease that provides for an increase in the amount of Basic Rent payable under the Lease and so long as no Event of Default exists, Additional Certificates evidencing the right of the Owners thereof to receive the Principal Portion and the Interest Portion of such additional Basic Rent may be executed and delivered under and equally and ratably secured by the Declaration of Trust on a parity with the Series 2014A Certificates and any other Additional Certificates, at any time and from time to time, upon compliance with the conditions provided in the Declaration of Trust, for the purpose of providing funds to pay all or any part of the cost of (a) repairing, replacing or restoring the Equipment, (b) improving, upgrading or modifying the Equipment, (c) the acquisition of additional Equipment, and (d) refunding any or all of the Certificates.

Establishment of Funds

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

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

Application of Lease Revenues

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

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

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

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

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

Disbursements from the Project Fund

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

Application of Money in the Lease Revenue Fund

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

Rebate Fund

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

Investment of Money in Various Funds

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

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

is originally held, and the interest accruing thereon and any profit realized from such Investment Securities shall be credited to such fund or account, and any loss resulting from such Investment Securities shall be charged to such fund or account.

Amendments to the Declaration of Trust or the Lease

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

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

delivery of Additional Certificates; or (g) to make any other change that in the sole judgment of the Trustee does not have a materially adverse effect on the rights of the Certificate Owners.

Defaults

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

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

Acceleration

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

Other Remedies Upon an Event of Default

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

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

Rights of Certificate Owners

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

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

or any other proceedings thereunder; provided that such Directive will not be otherwise than in accordance with the provisions of law and of the Declaration of Trust, and provided, further, that the Trustee has been indemnified as provided in the Declaration of Trust and will have the right to decline to follow any such direction if the Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability.

Defeasance

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

The Trustee

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

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

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

SUMMARY OF THE LEASE

General

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

Lease Term

The term of the Lease begins on the date of delivery of the Certificates and ends on March 15, 2024, unless earlier terminated in accordance with the provisions thereof.

Obligations Unconditional

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

Net Lease

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

Payment for the Equipment

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

Completion Date; Excess Funds

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

Enjoyment of Equipment

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

Basic Rent

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

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

Supplemental Rent

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

Increased Basic Rent

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

Disclaimer of Warranties

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

Deficiency of Project Fund

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

Impositions

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

Contest of Impositions

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

Insurance

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

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

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

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

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

Enforcement of Contract and Surety Bonds

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

Maintenance and Modification of Equipment by the City

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

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

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

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

Damage, Destruction and Condemnation

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

Purchase Option; No Prepayment

The City will have the option to purchase the Trustee's interest in the Equipment on or after the final maturity of the Series 2014A Certificates upon payment in full of Rent Payments then due under the Lease plus a Purchase Price equal to 100% of the remaining Principal Portions of Basic Rent for the Lease Term, plus Interest Portions of Basic Rent accrued to the payment date.

The City shall not have the option to prepay Basic Rent for purposes of prepaying any or all of the Series 2014A Certificates prior to the final maturity thereof.

Assignment and Subleasing by the City

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

Events of Default

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

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

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

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

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

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

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

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

Remedies on Default

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

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

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

limitation, all expenses of taking possession, removing, storing, reconditioning, and selling or leasing or subleasing the Equipment and all brokerage, auctioneers and attorneys' fees and expenses);

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

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

APPENDIX D

BOOK-ENTRY SYSTEM

BOOK-ENTRY SYSTEM

The Series 2014A Certificates are available in book-entry form and beneficial ownership interests therein may be purchased in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Series 2014A Certificates will not receive certificates representing their interests in the Series 2014A Certificates.

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

DTC will act as securities depository for the Series 2014A Certificates. The Series 2014A Certificates will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Series 2014A Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (“**NSCC**,” “**FICC**,” and “**EMCC**,” also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series 2014A Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014A Certificates on DTC’s records. The ownership interest of each actual purchaser of each Series 2014A Certificate (“**Beneficial Owner**”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Series 2014A Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2014A Certificates, except in the event that use of the book-entry system for the Series 2014A Certificates is discontinued.

To facilitate subsequent transfers, all Series 2014A Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2014A Certificates with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2014A Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2014A Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2014A Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Series 2014A Certificate documents. For example, Beneficial Owners of the Series 2014A Certificates may wish to ascertain that the nominee holding the Series 2014A Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2014A Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2014A Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal price of and interest on the Series 2014A Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Registrar, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, its nominee, the Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or redemption price of and interest on the Certificates to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Registrar. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2014A Certificates at any time by giving reasonable notice to the City or the Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2014A Certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2014A Certificates will be printed, registered in the name of DTC's partnership nominee, Cede & Co. (or such other name as may be requested by an authorized representative of DTC), and delivered to DTC (or a successor securities depository), to be held by it as securities depository for Direct Participants. If, however, the system of book-entry transfers has been discontinued and a Direct Participant has elected to withdraw its Series 2014A Certificates from DTC (or such successor securities depository), Series 2014A Certificates may be delivered to Beneficial Owners upon compliance with DTC's withdrawal procedures then in effect.

APPENDIX E

**FORM OF OPINION OF
SPECIAL TAX COUNSEL**

[FORM OF OPINION OF SPECIAL TAX COUNSEL]

May 21, 2014

The City of Lincoln, Nebraska
Lincoln, Nebraska

Union Bank and Trust Company, Trustee
Lincoln, Nebraska

BMO Capital Markets GKST Inc.
Chicago, Illinois

Re: \$9,500,000 Certificates of Participation, Series 2014A, evidencing proportionate interests in Basic Rent Payments to be made by The City of Lincoln, Nebraska

Ladies and Gentlemen:

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

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

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

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

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

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

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

3. The interest portion of each Basic Rent Payment represented by the Certificates is excluded from gross income for federal and Nebraska income tax purposes, is not an item of tax preference for purposes of federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in this paragraph are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the execution and delivery of the Lease and the Certificates in order that the interest portions of Basic Rent Payments represented by the Certificates be, or continue to be, excluded from gross income for federal and Nebraska income tax purposes. The City has covenanted to comply with all of these requirements. Failure to comply with certain of such requirements may cause the inclusion of such interest portions of Basic Rent Payments in gross income for federal and Nebraska income tax purposes retroactive to the date of execution and delivery of the Lease. The City's obligation to pay Basic Rent Payments under the Lease has not been designated as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Certificates.

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

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

This opinion is given as of its date, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law that may occur after the date of this opinion.

Very truly yours,