

**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 2016 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 2016 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  
\$8,550,000  
CERTIFICATES OF PARTICIPATION  
Series 2016**

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

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

**Dated: date of delivery**

**Due: April 1, as shown below**

The Series 2016 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 2016 Certificates. Purchases of the Series 2016 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 2016 Certificate purchases. So long as Cede & Co. is the registered owner of the Series 2016 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 2016 Certificates. Interest Portions of Basic Rent represented by the Series 2016 Certificates are payable semiannually on April 1 and October 1 of each year, to and including the date of maturity or prepayment, whichever is earlier, commencing on October 1, 2016.

The Series 2016 Certificates evidence the ownership of proportionate interests in, and rights to receive payments under, a Lease Purchase Agreement, dated November 18, 2010 (as amended and supplemented from time to time, including, without limitation, the Second Lease Purchase Agreement Supplement, dated July 7, 2016, 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 2016 Certificates are executed and delivered pursuant to a Declaration of Trust dated November 18, 2010 (as amended and supplemented from time to time, including, without limitation, a Second Declaration of Trust Supplement, dated July 7, 2016, the "Declaration of Trust"), made by the Trustee. Neither the Series 2016 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 2016 Certificates or the Basic Rent Payments.

The Series 2016 Certificates are subject to optional prepayment prior to maturity as described herein. See "THE SERIES 2016 CERTIFICATES OF PARTICIPATION – Optional Prepayment."

The Series 2016 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."

**MATURITY SCHEDULE**

<b>Maturity (April 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP (534266)</b>	<b>Maturity (April 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP (534266)</b>
2017	\$680,000	2.000%	0.680%	100.963%	GF2	2025	\$720,000	2.000%	1.620%	103.081%	GP0
2018	650,000	2.000	0.880	101.921	GG0	2026	730,000	4.000	1.730	120.252	GQ8
2019	665,000	2.000	0.950	102.825	GH8	2027	325,000	4.000	1.830*	119.264	GR6
2020	670,000	2.000	1.050	103.468	GJ4	2028	325,000	2.000	2.090	99.066	GS4
2021	670,000	3.000	1.100	108.738	GK1	2029	335,000	2.125	2.170	99.500	GT2
2022	685,000	2.000	1.250	104.136	GL9	2030	345,000	2.250	2.250	100.000	GU9
2023	695,000	3.000	1.380	110.381	GM7	2031	350,000	2.250	2.300	99.376	GV7
2024	705,000	3.000	1.500	110.912	GN5						

\* Yield to first optional call date of April 1, 2026.

*The Series 2016 Certificates are offered when, as and if executed and delivered by the Trustee, subject to the approval of their validity by Gilmore & Bell, P.C., Special Tax Counsel, as described herein. Certain legal matters will be passed upon for the City by Jeffery R. Kirkpatrick, City Attorney. It is expected that the Series 2016 Certificates in definitive form will be available for delivery at The Depository Trust Company in New York, New York, on or about July 7, 2016.*

**BAIRD**

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**AMERITAS INVESTMENT CORP.**  
has acted as Financial Advisor with respect to the Bonds

The date of this Official Statement is June 21, 2016.

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

Christopher J. Beutler, Mayor

**City Council Members**

Leirion Gaylor Baird (Chair)

Trent Fellers  
Jon Camp  
Roy Christensen

Carl Eskridge  
Cyndi Lamm  
Jane Raybould

**City Department Heads**

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

Peggy Tharnish, City Controller

**UNDERWRITER**

Robert W. Baird & Co.  
Milwaukee, Wisconsin

**SPECIAL TAX COUNSEL**

Gilmore & Bell, P.C.  
Omaha, Nebraska

**LESSOR AND TRUSTEE**

Union Bank and Trust Company  
Lincoln, Nebraska

**FINANCIAL ADVISOR WITH RESPECT TO SERIES 2016 CERTIFICATES**

Ameritas Investment Corp.  
Lincoln, Nebraska

## **REGARDING USE OF THIS OFFICIAL STATEMENT**

No dealer, broker, sales representative or other person has been authorized by the City or the Underwriter to give any information or to make any representations with respect to the Series 2016 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 2016 Certificates by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the City and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

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In connection with this offering, the Underwriter may over allot or effect transactions that stabilize or maintain the market price of the series 2016 Certificates at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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The Series 2016 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 2016 Certificates are offered pursuant to an exemption from registration with the Securities and Exchange Commission. The securities described herein have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

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## **FORWARD-LOOKING STATEMENTS**

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

## 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.....	3
Definitions and Descriptions; Inspection of Documents.....	3
THE SERIES 2016 CERTIFICATES OF PARTICIPATION.....	3
General Provisions .....	3
Payment of Basic Rent and Prepayment Price .....	3
Transfer and Exchange .....	4
Optional Prepayment .....	5
Book-Entry Only System .....	5
SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 CERTIFICATES.....	6
NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION.....	6
ADDITIONAL CERTIFICATES .....	7
THE TRUSTEE .....	8
RISK FACTORS .....	8
Inability to Liquidate .....	8
Effects on the Tax Exemption of the Series 2016 Certificates Upon a Termination.....	8
THE 2016 PROJECT .....	8
ESTIMATED SOURCES AND USES OF FUNDS .....	9
SCHEDULE OF LEASE PAYMENTS.....	9
SUMMARY OF THE LEGAL DOCUMENTS .....	10
CONTINUING DISCLOSURE.....	10
Annual Reports.....	10
Material Event Notices .....	10
Electronic Municipal Market Access System (EMMA).....	12
RATING .....	12
LITIGATION.....	12
TAX MATTERS.....	12
Opinion of Special Tax Counsel.....	13
Other Tax Consequences.....	13
LEGAL MATTERS.....	14
ADDITIONAL INFORMATION.....	15
APPENDIX A – THE CITY OF LINCOLN, NEBRASKA	
APPENDIX B – FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDED	
AUGUST 31, 2015, TOGETHER WITH AUDITOR’S 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

**\$8,550,000**

### **CERTIFICATES OF PARTICIPATION**

**SERIES 2016**

**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 \$8,550,000 (the **“Series 2016 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 2016 Project, pursuant to a Lease Purchase Agreement, dated November 18, 2010 (as amended and supplemented from time to time, including, without limitation, the Second Lease Purchase Agreement Supplement, dated July 7, 2016, the **“Lease”**), entered into between the Trustee and the City, as lessee. See **“THE 2016 PROJECT.”**

### **The City**

The City is a city of the primary class and political subdivision organized and existing under the laws of the State of Nebraska. The City is located in the geographic center of Lancaster County, Nebraska, and is the state capital, as well as the county seat. See **“APPENDIX A: THE CITY OF LINCOLN, NEBRASKA”** and **“APPENDIX B: FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED AUGUST 31, 2015, TOGETHER WITH AUDITOR’S REPORT THEREON.”**

### **Plan of Financing**

On November 18, 2010, \$7,780,000 principal amount of Certificates of Participation, Series 2010B (the **“Series 2010 Certificates”**) were issued pursuant to a Declaration of Trust, dated November 18, 2010 (the **“Original Declaration”**), made by the Trustee. The proceeds of the Series 2010 Certificates were used to (a) acquire the real property located at 901 West Bond Street and 949 West Bond Street in the City and the buildings and facilities located thereon, (b) remodel, renovate, equip and furnish such buildings and facilities (collectively, the **“2010 Project”**), and (c) pay certain costs in connection with the issuance of the Series 2010 Certificates.

On October 17, 2012, \$10,000,000 principal amount of Certificates of Participation, Series 2012 (the “**Series 2012 Certificates**”) were issued pursuant to the Original Declaration and a First Declaration of Trust Supplement dated October 17, 2012 (the “**First Supplemental Declaration**”) made by the Trustee. The proceeds of the Series 2012 Certificates were used to provide additional funds to (a) pay the costs of (i) acquiring and installing new street light poles and related equipment to adequately light certain of the City’s streets, (ii) acquiring, installing and implementing new electronic communication equipment and related software to be used by the City and The County of Lancaster, Nebraska, and (iii) remodel, renovate, equip and furnish additional portions of the 2010 Project ((i) through (iii), collectively, the “**2012 Project**”), and (b) pay certain costs in connection with the issuance of the Series 2012 Certificates.

The Series 2016 Certificates will be issued pursuant to the Original Declaration, the First Supplemental Declaration and a Second Declaration of Trust Supplement, dated July 7, 2016 (the “**Second Supplemental Declaration**” and, together with the Original Declaration, the First Supplemental Declaration and any amendments and supplements thereto, the “**Declaration of Trust**”). The proceeds of the Series 2016 Certificates are expected to be used to provide funds to purchase and install (i) light poles and related equipment for the lighting of streets; (ii) fire apparatus aerial trucks and new fire engines; (iii) a fire station to replace the City’s existing Fire Station No. 11, which is currently located on land provided by the Lincoln Airport Authority; and (iv) a new roof and HVAC systems for the 2010 Project (collectively, the “**2016 Project**”). Pursuant to the terms and conditions of the Lease and the Declaration of Trust, made by the Trustee, the Trustee and the City have agreed that the Trustee will pay, from proceeds of the sale of the Series 2016 Certificates, the cost of the 2016 Project. The 2010 Project, the 2012 Project and the 2016 Project are referred to collectively as the “**Project**.”

The Series 2016 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 Project.

### **The Financing Documents**

The Trustee will lease the Project, with the option to purchase upon final payment of all amounts due thereunder, to the City pursuant to the Lease. The Lease provides, among other things, for a term that commenced on November 18, 2010, and ends on April 1, 2031, the date of the final maturity of the Series 2016 Certificates. The City is authorized to enter into the Lease pursuant to (a) Ordinance No. 19641, passed by the Council on October 25, 2010 and approved by the Mayor on October 28, 2010, (b) Ordinance No. 19759, passed by the Council on August 13, 2012 approved by the Mayor on August 16, 2012, and (c) Ordinance No. 20326, passed by the Council on May 16, 2016 and approved by the Mayor on May 20, 2016 (collectively, the “**Ordinance**”).

The Series 2016 Certificates are being executed and delivered pursuant to 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, 2015, 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, 2015 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, 2017, 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 Disclosure Certificate are qualified in their entirety by reference to such documents, copies of which may be viewed at the principal corporate office of the Financial Advisor with respect to the Series 2016 Certificates, 5900 O Street, Lincoln, Nebraska 68510 or will be provided by the Financial Advisor with respect to the Series 2016 Certificates to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request. All references to the Series 2016 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 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 2016 CERTIFICATES OF PARTICIPATION**

### **General Provisions**

The Series 2016 Certificates are dated the date of delivery thereof, and will mature on October 15, in the amounts and in the years stated on the cover page hereof unless prepaid prior thereto.

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

The Series 2016 Certificates will be delivered in the denomination of \$5,000 each or any integral multiple thereof in book-entry form. Purchases of the Series 2016 Certificates will be made in book-entry only form in the denomination of \$5,000 or any integral multiple thereof. Purchasers of the Series 2016 Certificates will not receive certificates representing their interests in the Series 2016 Certificates purchased. Each Series 2016 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 2016 Certificate Owners. Principal Portions of Basic Rent will be payable on April 1 of each year beginning April 1, 2017. Interest Portions of Basic Rent shall be payable semiannually on April 1 and October 1 of each year, beginning on October 1, 2016, to and including the date of maturity or prepayment, whichever is earlier. Under the Declaration of Trust, the Trustee is designated as the initial paying agent for the Series 2016 Certificates.

While the Series 2016 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 2016 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 2016 Certificates.

Interest Portions of Basic Rent represented by the Series 2016 Certificates shall be payable by check or draft of the Trustee mailed to the Series 2016 Certificate Owners at the address of each Series 2016 Certificate Owner shown on the registration books maintained by the Trustee as of the close of business on the fifteenth day (whether or not a Business Day) prior to each Interest Payment Date (the **“Record Date”**), or at the written request of any Owner of Series 2016 Certificates in the aggregate Principal Portion of at least \$500,000, by electronic transfer to the bank for credit to the ABA routing number and account number filed with the Trustee no later than 15 days prior to the record date.

The Principal Portion of the Basic Rent or Prepayment Price represented by the Series 2016 Certificates will be payable (whether at maturity or upon prepayment or acceleration) by check or draft to the Owners of such Series 2016 Certificates upon presentation and surrender of such Series 2016 Certificates at the designated corporate trust office of the Trustee.

### **Transfer and Exchange**

While the Series 2016 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 2016 Certificates, transfers may be effected as described below.

Books for the registration and transfer of the Series 2016 Certificates are to be kept by the Trustee, as registrar. Upon surrender for transfer of any Series 2016 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 2016 Certificate of the same maturity or maturities, interest rate and tenor as the Series 2016 Certificates surrendered. Series 2016 Certificates may be exchanged at the principal payment office of the Trustee for an equal aggregate principal amount of Series 2016 Certificates of the same maturity or maturities, interest rate and tenor as the Series 2016 Certificate surrendered. All Series 2016 Certificates presented for transfer or exchange must be accompanied by a written instrument of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Trustee, duly executed by the Owner or by his attorney duly authorized in writing.

The Trustee is not required to transfer or exchange any Series 2016 Certificate after such Series 2016 Certificate has been called for prepayment.

The person in whose name any Series 2016 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 2016 Certificate will be made only to or upon the written order of the registered owner thereof or his legal representative.

The Series 2016 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 2016 Certificates may be transferred at the principal payment office of the Trustee. Series 2016 Certificates may be exchanged for Series 2016 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 2016 Certificates, the Trustee shall make a charge to the Series 2016 Certificate Owner sufficient to reimburse it for any tax, fee or other governmental charges required to be paid with respect to such exchange or transfer.



## **Optional Prepayment**

***Optional Prepayment.*** The Series 2016 Certificates maturing on April 1, 2027, and thereafter are subject to optional prepayment at the option of the City, as a whole or in part, at any time on or after April 1, 2026, at the prepayment price of 100% of the Principal Portion of Basic Rent being prepaid set forth below, plus Interest Portions of Basic Rent accrued to the prepayment date.

***Notice of Prepayment.*** Unless otherwise provided in the Declaration of Trust, notice of prepayment shall be given by the Trustee not less than 30 days nor more than 60 days prior to the Prepayment Date to the City and the Owner of each Series 2016 Certificate affected at the address shown on the registration books of the Registrar on the date such notice is mailed. Each notice of prepayment shall state the Prepayment Date, the place of prepayment, the Prepayment Price and, if less than all, the numbers of the Series 2016 Certificates to be prepaid. Such notice will also state that the Interest Portion of the Basic Rent represented by the Series 2016 Certificates designated for prepayment will cease to accrue from and after such Prepayment Date and that on said date the Prepayment Price will become due and payable on each of such Series 2016 Certificates.

So long as the book-entry only system is used for the Series 2016 Certificates, the Trustee will give any notice of prepayment or any other notices required to be given to owners only to DTC. Any failure of DTC to advise any DTC Participant or of any DTC Participant to notify the Beneficial Owner of any such notice and its content or effect will not affect the validity of the prepayment of the Series 2016 Certificates so called for prepayment. Beneficial Owners may desire to make arrangements with a DTC Participant so that all notices of prepayment or other communications to DTC which affect such Beneficial Owners, including notification of all interest payments, will be forwarded in writing by such DTC Participant. See “**BOOK-ENTRY SYSTEM.**”

The Trustee is also directed to comply with any mandatory or voluntary standards then in effect for processing prepayments of municipal securities established by the Securities and Exchange Commission. Failure to comply with such standards shall not affect or invalidate the prepayment of any Series 2016 Certificates to be prepaid.

***Effect of Prepayment.*** Notice of prepayment having been duly given as provided, and upon funds sufficient for payment of the Prepayment Price of such Series 2016 Certificates being held by the Trustee, on the Prepayment Date designated in such notice, the Series 2016 Certificates so called for prepayment shall become due and payable at the Prepayment Price specified in such notice and the Interest Portion of Basic Rent represented by the Series 2016 Certificates so called for prepayment shall cease to accrue, said Series 2016 Certificates shall cease to be entitled to any benefit or security under the Declaration of Trust and the Owners of such Series 2016 Certificates shall have no rights in respect thereof except to receive payments of the Prepayment Price.

## **Book-Entry Only System**

***General.*** The Depository Trust Company (“**DTC**”), New York, New York, will act as securities depository for the Series 2016 Certificates. The ownership of one fully registered Series 2016 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 Series 2016 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 Series 2016 Certificates may experience some delay in their receipt of distributions of the principal or redemption price of and interest on the Series 2016 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 Series 2016 Certificates can only be effected through DTC, DTC Participants and certain banks, the ability of a Beneficial Owner to pledge Series 2016 Certificates to persons or entities that do not participate in the Book-Entry System, or otherwise to take actions in respect of such Series 2016 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 SERIES 2016 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.

For the 2013-2014 fiscal year, the City was permitted to increase its appropriation of restricted funds under the budget limitations by 2.5%. Unused restricted fund authority from prior years can be carried over into future fiscal years to use in addition to the annual increases allowed. As of August 31, 2015, the City had accumulated \$9,037,631 of unused restricted funds authority which would be available for future fiscal years.

Under Section 77-3442, the rates for levying property taxes are limited for each type of governmental unit in the State. The rate for cities is no more than 45¢ per \$100 of taxable valuation plus an additional 5¢ per \$100 of taxable valuation may be levied to provide financing for a city's share of revenue required under an agreement executed pursuant to the Interlocal Cooperation Act, Chapter 13, Article 8, Reissue Revised Statutes of Nebraska, as amended, or the Joint Public Agency Act, Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended. A political subdivision may exceed the levy limitations provided in Section 77-3442 or a final levy allocation determination as provided in Section 77-3443 by an amount not to exceed a maximum levy approved by a majority of registered voters. The limitations of Section 13-519 do not apply to restricted funds pledged to retire bonded indebtedness, and the limitations of Section 77-3442 do not apply to property taxes levied for bonded indebtedness approved according to law and secured by a levy on property. The limitations of Section 13-519 and Section 77-3442 apply to any property taxes levied by the City to pay Rental Payments under the Lease. The City's total levy (excluding bond levy) for the current fiscal year is \$0.28763 per \$100 of taxable valuation, which is expected to produce \$53,088,783 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 Series 2010 Certificates, the Series 2012 Certificates and the Series 2016 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 Series 2016 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 Series 2016 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 2016 Project is likely appropriate for use only as part of a street lighting system, fire equipment, a fire station, a roof and HVAC equipment. Because of such limited uses, and the delays inherent in obtaining the remedies involving such property, a potential purchaser of the Series 2016 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 Series 2016 Certificates or nonpayment of the Series 2016 Certificates.

### **Effects on the Tax Exemption of the Series 2016 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, as amended to any Series 2016 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 Series 2016 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 Series 2016 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 Series 2016 Certificates in such event will be excludable from gross income for federal income tax purposes.

## **THE 2016 PROJECT**

The 2016 Project consists of (i) light poles and related equipment, such as light fixtures, wiring, and other items necessary to complete the installation of new street lights in the City; (ii) fire apparatus aerial trucks and new fire engines for the City; (iii) a fire station to replace the City's existing Fire Station No. 11, which is currently located in space provided by the Lincoln Airport Authority; and (iv) a new roof and HVAC systems for the 2010 Project.

## ESTIMATED SOURCES AND USES OF FUNDS

The sources and application of funds in connection with the execution of the Series 2016 Certificates, exclusive of accrued interest, are estimated, based upon certain assumptions regarding the investment of such funds, as follows:

### Sources of Funds:

Par Amount of the Series 2016 Certificates	\$8,550,000.00
Net Original Issue Premium	<u>522,746.80</u>
Total Sources of Funds	<u>\$9,072,746.80</u>

### Applications of Funds:

Costs of 2016 Project/Project Fund	\$8,917,421.80
Underwriter's Discount	85,500.00
Costs of Issuance*	<u>69,825.00</u>
Total Applications of Funds	<u>\$9,072,746.80</u>

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

## SCHEDULE OF LEASE PAYMENTS

The following table sets forth the scheduled amortization of the Series 2010 Certificates, the Series 2012 Certificates and the Series 2016 Certificates:

Fiscal Year Ending August 31,	Series 2010 Certificates and Series 2012 Certificates	Series 2016 Certificates			
		Principal Portion	Interest Portion	Total	Total
2016	\$ 1,938,058.76				\$ 1,938,058.76
2017	1,501,858.76	\$ 680,000	\$ 157,634.59	\$ 837,634.59	2,339,493.35
2018	1,477,002.51	650,000	201,356.26	851,356.26	2,328,358.77
2019	1,470,596.26	665,000	188,356.26	853,356.26	2,323,952.52
2020	1,457,233.76	670,000	175,056.26	845,056.26	2,302,290.02
2021	1,451,846.26	670,000	161,656.26	831,656.26	2,283,502.52
2022	1,439,508.76	685,000	141,556.26	826,556.26	2,266,065.02
2023	1,225,826.26	695,000	127,856.26	822,856.26	2,048,682.52
2024	1,226,528.13	705,000	107,006.26	812,006.26	2,038,534.39
2025	1,215,275.00	720,000	85,856.26	805,856.26	2,021,131.26
2026	1,207,725.00	730,000	71,456.26	801,456.26	2,009,181.26
2027	545,900.00	325,000	42,256.26	367,256.26	913,156.26
2028	-	325,000	29,256.26	354,256.26	354,256.26
2029	-	335,000	22,756.26	357,756.26	357,756.26
2030	-	345,000	15,637.50	360,637.50	360,637.50
2031	-	350,000	7,875.00	357,875.00	357,875.00
Totals	<u>\$16,157,359.46</u>	<u>\$8,550,000</u>	<u>\$1,535,572.21</u>	<u>\$10,085,572.21</u>	<u>\$26,242,931.67</u>

## 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 2016 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 2016 Certificates or to any decision to purchase, hold or sell the Series 2016 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 Series 2016 Certificates and in order to assist the Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission (the “**Rule**”). The City is the only “obligated person” with responsibility for continuing disclosure.

The City believes it has complied in all material respects with its prior undertakings under the Rule in the past five years.

### Annual Reports

Pursuant to the Disclosure Certificate, the City shall, not later than **May 1** of each year, commencing May 1, 2017, 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 Series 2016 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 2016 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 2016 Certificates, or other material events affecting the tax status of the Series 2016 Certificates;
- (7) modifications to rights of owners of the Series 2016 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 2016 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 Series 2016 Certificates may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an Event of Default under the Lease Agreement or the Declaration of Trust, and the sole remedy under the Disclosure Certificate in the event of any failure of the City to comply with the Disclosure Certificate shall be an action to compel performance.

## **Electronic Municipal Market Access System (EMMA)**

All Annual Reports and notices of Material Events required to be filed by the City or the dissemination agent pursuant to the Disclosure Certificate must be submitted to the MSRB through the MSRB's Electronic Municipal Market Access system ("EMMA"). EMMA is an internet-based, online portal for free investor access to municipal bond information, including offering documents, material event notices, real-time municipal securities trade prices and MSRB education resources, available at [www.emma.msrb.org](http://www.emma.msrb.org). Nothing contained on EMMA relating to the City or the Series 2016 Certificates is incorporated by reference in this Official Statement.

## **RATING**

Moody's Investors Service, Inc. has assigned the Series 2016 Certificates a rating of "Aaa." Such rating reflects only the views of such organization, and an explanation of the significance of such rating may be obtained from Moody's Investors Service, 7 World Trade Center, 350 Greenwich Street, 23<sup>rd</sup> Floor, New York, New York 10007, telephone (212) 553-0300.

Generally, a rating agency bases its rating on such information and materials and investigations, studies and assumptions furnished to and obtained and made by the rating agency. The rating is not a recommendation to purchase, sell or hold a security, inasmuch as it does not comment as to market price or suitability for a particular investor. There is no assurance that the above rating will remain for any given period of time or that it may not be lowered, suspended or withdrawn entirely by such rating agency if it deems circumstances are appropriate. Any downward change in, suspension or withdrawal of such rating may have an adverse effect on the market price of the Series 2016 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 2016 Certificates or the constitutionality or validity of the obligation represented by the Series 2016 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 2016 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 2016 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 2016 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 2016 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 2016 Certificates:

***Federal and Nebraska Tax Exemption.*** The Interest Portion of Basic Rent Payments on the Series 2016 Certificates (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal and Nebraska income tax purposes.

***Alternative Minimum Tax.*** The Interest Portion of Basic Rent Payments on the Series 2016 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 2016 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 2016 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 2016 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 2016 Certificates in gross income for federal and State of Nebraska income tax purposes retroactive to the date of issuance of the Series 2016 Certificates. Special Tax Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2016 Certificates but has reviewed the discussion under the heading “TAX MATTERS.”

### **Other Tax Consequences**

***Original Issue Discount.*** For federal income tax purposes, original issue discount (“OID”) is the excess of the stated redemption price at maturity of a Series 2016 Certificate over its issue price. The issue price of a Series 2016 Certificate is the first price at which a substantial amount of the Series 2016 Certificates of that maturity have been sold (ignoring sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). Under Section 1288 of the Code, OID on tax-exempt securities accrues on a compound basis. The amount of OID that accrues to an owner of a Series 2016 Certificate during any accrual period generally equals (1) the issue price of that Series 2016 Certificate, plus the amount of OID accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Series 2016 Certificate (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Series 2016 Certificate during that accrual period. The amount of OID accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner’s tax basis in that Series 2016 Certificate. Prospective investors should consult their own tax advisors concerning the calculation and accrual of OID.

***Original Issue Premium.*** If a Series 2016 Certificate is issued at a price that exceeds the stated redemption price at maturity of the Series 2016 Certificate, the excess of the purchase price over the stated redemption price at maturity constitutes “premium” on that Series 2016 Certificate. Under Section 171 of the Code, the purchaser of that Series 2016 Certificates must amortize the premium over the term of the Series 2016 Certificate using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the Series 2016 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 2016 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 2016 Certificates.*** Upon the sale, exchange or retirement (including redemption) of a Series 2016 Certificate, an owner of the Series 2016 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 2016 Certificate (other than in respect of accrued and unpaid interest) and such owner’s adjusted tax basis in the Series 2016 Certificate. To the extent a Series 2016 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 2016 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 2016 Certificates, and to the proceeds paid on the sale of the Series 2016 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 2016 Certificates should be aware that ownership of the Series 2016 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 2016 Certificates. Special Tax Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2016 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 2016 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 2016 Certificates are subject to the approval of legality by Special Tax Counsel. Special Tax Counsel has participated in the preparation of this Official Statement but the factual and financial information appearing herein has been supplied or reviewed by the City, its officials and counsel. Certain legal matters will be passed upon for the City by its counsel, Jeffery R. Kirkpatrick, City Attorney, Lincoln, Nebraska.

### **ADDITIONAL INFORMATION**

Additional information with respect to the City and the Series 2016 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 2016 Certificate Owners.

This Official Statement has been approved by the City and is submitted only in connection with the sale of the Series 2016 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 93.32 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 2015 population is 272,996.

### **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 6,808 acres maintained for public use, nine public swimming pools, and five public golf courses. The City has cooperated actively with the county government in several joint governmental buildings, and in other specific areas of responsibility, including health, planning, civil defense, data processing, tax collection, parks, and jail facilities. There are cooperative agreements with the United States government on parks and flood control, with the University of Nebraska on planning and property transfer, with the area Watershed District on flood control, and with the Lincoln School District on recreation.

### **Transportation**

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

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

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

The average commute in Lincoln is 18 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 25,006 students, Nebraska Wesleyan University, with approximately 2,100 students, Union College, with approximately 903 students, Kaplan University, with approximately 548 students, Bryan LGH College of Health Sciences with approximately 700 students, and Southeast Community College, with over 9,000 students and with a number of facilities for both full-time and part-time occupational training, are located in the City of Lincoln. The City's modern and progressive school system, with an enrollment of over 39,948 is served by 6 high schools, 11 middle schools, and 38 elementary schools. Lincoln is home to over 30 private and parochial schools. Lincoln's private school offerings range from pre-K to high school institutions. Affiliations include Roman Catholic, Lutheran, SDA, and nondenominational Christians.

## **Building Permits and Property Values**

### **LAST TEN YEARS**

FISCAL YEAR	COMMERCIAL 1 CONSTRUCTION		RESIDENTIAL 1 CONSTRUCTION		PROPERTY VALUE 2		TOTALS
	# PERMITS	VALUE	# PERMITS	VALUE	COMMERCIAL	RESIDENTIAL	
2015	1,321	\$ 309,759,043	2,346	\$ 379,740,291	\$ 4,687,497,810	\$ 11,914,884,192	\$ 16,602,382,002
2014	1,197	264,070,303	2,300	249,343,435	4,962,314,863	11,403,992,418	16,366,307,281
2013	1,341	484,317,980	2,323	250,266,476	4,787,396,700	11,181,988,692	15,969,385,392
2012	1,372	338,918,061	2,319	186,712,560	4,476,953,562	10,745,000,908	15,221,954,470
2011	1,320	223,215,672	2,336	155,181,140	4,477,256,519	10,648,151,681	15,125,408,200
2010	1,234	241,509,266	2,225	116,914,465	4,438,463,100	10,546,474,527	14,984,937,627
2009	1,196	199,331,086	1,794	104,316,385	4,382,749,195	10,839,440,027	15,222,189,222
2008	1,064	274,267,477	2,261	149,678,215	4,246,365,596	10,723,170,809	14,969,536,405
2007	994	293,968,408	2,820	202,786,768	4,236,340,817	10,402,515,684	14,638,856,501
2006	1,088	263,006,153	3,150	195,885,622	3,814,534,869	9,083,290,211	12,897,825,080

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

<sup>2</sup> Lancaster County Assessor.

## **Police and Fire Protection**

Lincoln has fourteen fire stations manned by 281 firefighters and three police stations with 320 police officers.

## **City Employee Information**

For the 2015-2016 fiscal year, contracts have been signed with all but two of our unions. Unions include: the Lincoln Police Union (LPU) representing police officers; the International Association of Firefighters (IAF) representing firefighters, the Amalgamated Transit Union (ATU) representing transit workers, the Public Association of Government Employees (PAGE) representing labor, trades, and clerical personnel, the City Employees Association (CEA) representing supervisory, highly technical, and professional personnel, and the Lincoln M Class Employees Association (LMCEA) representing upper management, administration and professional personnel. The LPU and IAF contracts have not been negotiated and are operating under the terms of their prior year contracts. All other contracts will expire at the end of August, 2016.

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

## SELECTED ECONOMIC INDICATORS

### LINCOLN SMSA (LANCASTER COUNTY) NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT

	MAY 31, 2015		NOVEMBER 30, 2015	
	Number Employed	Percent of Total	Number Employed	Percent of Total
Industry Manufacturing:				
Durable Goods	9,008	4.8	9,013	4.7
Nondurable Goods	5,194	2.7	5,214	2.7
Total Industry Manufacturing	14,202	7.5	14,227	7.4
Nonmanufacturing:				
Natural Resource & Construction	8,019	4.3	8,116	4.2
Transportation, Warehousing & Utilities	10,971	5.8	11,112	5.8
Wholesale Trade	4,053	2.2	3,979	2.1
Retail Trade	19,700	10.5	20,379	10.6
Information	2,550	1.4	2,651	1.4
Finance, Insurance & Real Estate	14,942	7.9	15,132	7.9
Services (except domestic)	73,312	38.9	75,155	39.1
Government	40,467	21.5	41,222	21.5
Total Nonmanufacturing	174,014	92.5	177,746	92.6
TOTAL	188,216	100.0	191,973	100.0

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

As of December 2015 the unemployment rate in Lincoln was 2.3%, notably one of the lowest unemployment rates in the United States.

### LINCOLN SMSA (LANCASTER COUNTY LABOR FORCE DATA 2014-2005) (For the Calendar Year Indicated)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Civilian Labor Force	179,302	178,526	176,822	172,954	171,331	169,553	168,912	166,259	165,013	165,262
Unemployment	5,256	6,116	6,354	6,884	7,202	7,290	5,186	4,639	4,668	5,799
Percent of Labor Force	2.9	3.4	3.6	4.0	4.2	4.3	3.1	2.8	2.8	3.5
Employment	174,046	172,410	170,468	166,070	164,129	162,263	163,726	161,620	160,345	159,463

### STATE OF NEBRASKA

Percent of Labor Force										
Unemployment	3.3	3.8	4.0	4.4	4.6	4.6	3.3	3.0	3.1	3.8

Source: State of Nebraska, Department of Labor

**LINCOLN PRINCIPAL EMPLOYERS  
CURRENT YEAR**

Employer	Employees	Rank	Percentage of Total City Employment
State of Nebraska	8,991	1	4.68 %
Lincoln Public Schools	8,000	2	4.16
University of Nebraska-Lincoln	6,342	3	3.30
Bryan Health	3,500	4	1.82
US Government	3,344	5	1.74
City of Lincoln	2,602	6	1.35
Saint Elizabeth Regional Medical Center	2,300	7	1.20
Burlington Northern Railroad	2,000	8	1.04
Madonna Rehabilitation Hospital	1,500	9	0.78
Duncan Aviation	1,325	10	0.69
Total	39,904		20.76 %

**DEMOGRAPHIC STATISTICS  
LAST TEN YEARS**

Year	Population <sup>1</sup>	Per Capita Personal Income <sup>2</sup>	School Enrollment <sup>3</sup>
2015	272,996	\$	39,842
2014	268,738	43,399	39,066
2013	265,404	42,743	37,845
2012	262,341	41,584	36,902
2011	258,379	40,015	36,530
2010	254,001	37,864	35,896
2009	251,624	37,737	34,973
2008	248,744	38,558	34,061
2007	241,167	37,684	33,466
2006	239,213	36,250	32,934

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 2015 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>
2015	82,058	96,680	132,672
2014	81,196	96,368	131,915
2013	80,418	95,480	130,537
2012	79,698	94,592	129,163
2011	79,184	94,231	128,373
2010	78,740	93,916	129,322
2009	77,973	93,679	128,115
2008	77,532	93,419	126,978
2007	76,816	93,301	124,878
2006	75,919	92,824	123,376

Source: Indicated Utility Companies



## SELECTED FINANCIAL STATISTICS

### GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION <sup>1</sup> LAST TEN FISCAL YEARS

Fiscal Year	General Government	Public Safety	Streets And Highways	Culture And Recreation	Economic Opportunity	Health And Welfare	Mass Transit	Debt Service	Totals
2015	\$ 50,714,491	75,625,163	19,464,370	24,538,296	14,773,423	23,038,785	15,539,838	38,634,986	262,329,352
2014	51,044,096	72,833,698	21,054,394	25,172,100	13,792,741	22,097,954	14,419,436	36,449,212	256,863,631
2013	42,761,424	72,489,536	18,355,326	22,323,942	12,831,193	21,339,175	11,980,828	31,721,325	233,802,749
2012	39,048,320	70,444,362	18,471,067	22,518,532	14,673,671	22,070,619	10,288,935	31,689,831	229,205,337
2011	36,622,362	69,537,057	18,335,078	21,794,585	15,811,914	21,993,415	15,088,883	26,439,462	225,622,756
2010	35,865,006	64,679,523	19,832,223	21,483,873	15,359,628	21,652,729	12,034,413	17,032,401	207,939,796
2009	34,428,477	63,984,484	16,445,304	22,449,569	11,321,242	20,349,757	9,575,670	16,990,105	195,544,608
2008	35,278,575	61,147,903	16,482,240	21,686,564	14,685,668	21,053,132	10,707,601	14,427,795	195,469,478
2007	33,946,258	60,953,651	17,430,452	21,719,544	11,670,315	20,378,863	14,877,357	11,589,720	192,566,160
2006	34,666,641	60,064,604	16,928,575	20,938,212	12,623,307	25,566,267	8,901,327	11,016,269	190,705,202

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

### GENERAL GOVERNMENTAL REVENUES BY SOURCE <sup>1</sup> LAST TEN FISCAL YEARS

Fiscal Year	Taxes And Special Assessment	Inter-Governmental	Permits And Fees	Reimbursement For Services	Investment Earnings	Other	Totals
2015	\$ 182,765,313	70,694,942	25,327,804	16,083,267	1,006,466	11,026,123	306,903,915
2014	172,251,539	79,378,553	23,794,402	14,283,172	10,571,021	10,985,173	311,263,860
2013	166,316,730	81,340,882	22,936,015	8,341,522	1,732,354	12,037,497	292,705,000
2012	161,333,989	68,267,660	20,239,031	7,850,732	4,744,887	20,209,185	282,645,484
2011	144,632,640	71,532,824	18,524,372	7,521,366	5,454,877	11,279,552	258,945,631
2010	131,562,303	61,640,301	16,432,219	7,004,334	5,197,259	6,467,138	228,303,554
2009	130,360,416	75,099,973	17,119,002	6,600,299	5,791,391	7,818,015	242,789,096
2008	130,094,818	73,830,720	18,013,104	6,511,457	6,806,258	7,667,778	242,924,135
2007	125,328,388	63,928,043	19,126,239	6,491,112	10,371,565	7,052,107	232,297,454
2006	121,857,986	60,757,501	18,423,079	7,063,192	4,082,196	7,886,377	220,070,331

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

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

Fiscal Year Ended <u>August 31</u>	Special Assessment Collections <u>Including Interest</u>
2015	\$ 1,590,119
2014	1,577,645
2013	1,021,572
2012	1,151,931
2011	1,103,720
2010	1,136,150
2009	1,071,238
2008	1,418,936
2007	1,448,146
2006	1,667,037

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

**Authority to Levy Taxes**

Article IX, Section 3 of the Home Rule Charter of the City provides that the City shall have power to levy a tax each year for general revenue purposes upon all property subject to taxation; provided that the maximum amount of taxes that can be levied by the City in any one year for general revenue purposes shall not exceed an amount known as the City tax limit. The City tax limit is a tax ceiling established by using the September 1, 1966 City dollar tax limit as an initial tax limit, and increasing that tax limit each year following 1966 by 7% so that in each fiscal year thereafter, the amount of the City tax limit shall be the amount of the city tax limit for the previous year, plus 7% thereof. In addition, the City also has the power to levy taxes each year sufficient to pay any judgment existing against the City and the interest on bonded debt and the principal on any bonded debt maturing during the fiscal year or within six months thereafter, as well as taxes authorized by state law. The City is also authorized to receive all taxes collected and distributed pursuant to state law and in lieu of tax payments imposed by law. The 2015 tax levy for the 2015-2016 fiscal year is \$134,866,868 below the legal limit, a tax rate per \$100 valuation of .31958. The assessed value upon which the 2015 levy is based is \$18,457,318,752. By charter, only 90% of the property tax levy may be appropriated.

For the 2015-2016 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 2015-2016 the City can also use authority equal to the greater of 2.5% or the amount of real growth in the tax base that was 1.69%. An additional 1% can be authorized by a 75% vote of the City Council but was not utilized for the 2015-2016 budget. The 2015-2016 budget is \$9,037,630 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.

Fiscal Year Ended August 31	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy			Accumulated Collections As Of August 31, 2015	
		Amount	Percent		Amount	Percent
2015	\$ 55,521,823	\$ 54,235,009	97.68	%	\$ 54,235,009	97.68 %
2014	53,952,152	52,616,370	97.52		53,942,345	99.98
2013	52,542,438	51,226,109	97.49		52,519,725	99.96
2012	50,183,934	48,788,943	97.22		50,132,932	99.90
2011	45,620,336	44,206,917	96.90		45,566,893	99.88
2010	45,210,589	43,791,366	96.86		45,191,911	99.96
2009	45,885,354	44,385,970	96.73		45,881,621	99.99
2008	45,235,971	43,526,689	96.22		45,055,233	99.60
2007	43,339,708	41,815,295	96.48		43,314,653	99.94
2006	40,930,818	39,549,553	96.63		40,927,826	99.99

**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	2015 Assessed Valuations	Percentage Of Total Assessed Valuation
B & J Partnership Ltd.	Building Management	\$ 98,564,700	0.57%
Burlington Northern	Railroad	90,644,160	0.52%
Kawasaki	Manufacturing	68,200,715	0.39%
Nebco	Construction/Development	67,496,087	0.39%
Ameritas Life Insurance Corp	Insurance	57,665,529	0.33%
WEA Gateway LLC	Retail Management	54,296,100	0.31%
Windstream	Telecommunications	46,319,025	0.27%
Wal-Mart Real Estate Trust	Retail Management	45,067,400	0.26%
BryanLGH	Hospital	44,815,641	0.26%
Assurity Life Insurance Co.	Insurance	41,180,873	0.24%
		<u>\$ 614,250,230</u>	<u>3.54%</u>

### 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
2015	\$ 68,861,600
2014	66,393,391
2013	63,134,808
2012	61,472,342
2011	57,959,545
2010	54,925,013
2009	54,255,376
2008	55,733,297
2007	53,960,485
2006	54,270,346

### 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
2015	\$ 37,333,435	\$ 68,861,600	\$ 31,314	\$ 2,120,619	\$ 11,024,711	\$ 119,371,679
2014	37,428,736	66,393,391	31,218	2,042,148	11,184,522	117,080,015
2013	34,599,257	63,134,808	28,713	1,962,330	11,741,366	111,466,474
2012	33,574,992	61,472,342	31,610	1,936,396	12,583,795	109,599,135
2011	31,449,267	57,959,545	30,957	1,755,098	11,699,691	102,894,558
2010	31,486,553	54,925,013	11,895	1,620,431	10,467,534	98,511,426
2009	33,783,984	54,255,376	8,143	1,540,752	10,071,230	99,659,485
2008	32,181,660	55,733,297	18,600	1,511,404	9,670,060	99,115,021
2007	31,454,763	53,960,485	10,492	1,399,939	9,596,588	96,422,267
2006	28,366,526	54,270,346	9,526	1,315,038	8,936,502	92,897,938

**TAXABLE ASSESSED VALUATION  
LAST TEN YEARS<sup>1</sup>**

Tax Year		Real Estate		All Other		Total
2016	\$	17,618,385,582	\$	838,933,170	\$	18,457,318,752
2015		16,602,382,002		777,744,371		17,380,126,373
2014		16,366,307,281		744,661,478		17,110,968,759
2013		15,969,385,392		706,811,504		16,676,196,896
2012		15,221,954,470		678,874,343		15,900,828,813
2011		15,125,408,200		755,852,220		15,881,260,420
2010		14,984,937,627		761,515,955		15,746,453,582
2009		15,222,189,222		713,383,515		15,935,572,737
2008		14,969,536,405		684,390,085		15,653,926,490
2007		14,638,856,501		703,307,287		15,342,163,788

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

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

	Tax Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
City of Lincoln	0.3196	0.3158	0.3158	0.3158	0.2879	0.2879	0.2879	0.2879	0.2833	0.3009
School District No. 1	1.2434	1.2441	1.2447	1.2461	1.2462	1.2537	1.2668	1.2719	1.2764	1.3142
Lancaster County	0.2813	0.2813	0.2843	0.2683	0.2683	0.2683	0.2683	0.2755	0.2655	0.2841
Educational Service Unit #18	0.0150	0.0150	0.0150	0.0150	0.0145	0.0150	0.0150	0.0141	0.0141	0.0150
Community Technical College	0.0598	0.0667	0.0627	0.0627	0.0600	0.0676	0.0722	0.0689	0.0689	0.0696
Lower Platte South Natural Res. Dist.	0.0358	0.0361	0.0378	0.0398	0.0406	0.0410	0.0410	0.0418	0.0416	0.0422
Railroad Transportation Safety Dist.	0.0130	0.0130	0.0100	0.0260	0.0260	0.0260	0.0260	0.0260	0.0246	0.0260
Lancaster County Correctional JPA City	0.0168	0.0172	0.0177	0.0185	0.0189	0.0194	0.0195	-	-	-
Lancaster County Correctional JPA County	0.0094	0.0096	0.0099	0.0105	0.0106	0.0107	0.0106	-	-	-
Agricultural Society of Lancaster County	0.0015	0.0015	0.0015	0.0016	0.0017	0.0016	0.0015	0.0016	0.0016	0.0018
Lancaster County Fairgrounds	0.0033	0.0034	0.0037	0.0037	0.0038	0.0038	0.0038	0.0043	0.0037	0.0042
Public Building Commission	0.0170	0.0170	0.0167	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170
	<u>2.0159</u>	<u>2.0207</u>	<u>2.0198</u>	<u>2.0250</u>	<u>1.9955</u>	<u>2.0120</u>	<u>2.0296</u>	<u>2.0090</u>	<u>1.9967</u>	<u>2.0750</u>

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

# DEBT MANAGEMENT

## OUTSTANDING INDEBTEDNESS AS OF AUGUST 31, 2015

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

Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
<b>General Obligation Bonds:</b>							
<b>General Bonds:</b>							
8,295	06/27/07	Stormwater Drainage and Flood Mgmt	4.625 - 5.000	Serial 2008 to 2027	2017	Semiannually	5,860
8,200	02/10/11	Stormwater Bonds	2.000 - 4.500	Serial 2013 to 2030	2020	"	7,100
19,290	06/21/11	Refunding	0.2000 - 5.000	Serial 2011 to 2022	2019	"	12,315
8,090	06/26/12	Refunding	1.000 - 3.000	Serial 2013 to 2023	-	"	5,255
6,385	03/20/13	Stormwater Bonds	2.000 - 4.000	Serial 2014 to 2029	2023	"	6,035
1,515	03/20/13	Stormwater Bonds	3.125	Term 2032	2023	"	1,515
5,720	04/15/15	Stormwater Refunding Bonds	1.000 - 5.000	Serial 2016 to 2025	-	"	5,720
<b>Total General Bonds</b>							<b>\$ 43,800</b>
<b>Tax Allocation Bonds:</b>							
5,500	04/21/04	Tax Allocation Bonds	3.000 - 4.800	Serial 2004 to 2015	2010	Semiannually	875
365	08/15/05	Tax Allocation Bonds	4.750	Serial 2006 to 2018	Anytime	"	91
288	10/01/06	Tax Allocation Bonds	5.100	Serial 2008 to 2016	Anytime	"	52
2,205	04/05/07	Tax Allocation Bonds	5.000 - 5.550	Serial 2009 to 2018	2012	"	1,020
601	06/01/07	Tax Allocation Bonds	5.240	Serial 2008 to 2018	Anytime	"	492
42	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2021	Anytime	"	24
71	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2017	Anytime	"	42
474	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2022	Anytime	"	109
547	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	324
200	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	115
611	06/30/09	Tax Allocation Bonds	7.00	Serial 2011 to 2023	Anytime	"	511
3,375	07/28/09	Tax Allocation Bonds	2.500 - 6.400	Serial 2011 to 2023	Anytime	"	2,540
263	04/01/11	Tax Allocation Bonds	3.990	Serial 2011 to 2022	Anytime	"	182
103	04/15/13	Tax Allocation Bonds	2.370	Serial 2013 to 2025	Anytime	"	84
<b>Total Tax Allocation Bonds</b>							<b>\$ 6,461</b>
<b>Tax Supported Bonds:</b>							
27,000	12/05/06	Highway Allocation Fund	4.000 - 5.000	Serial 2008 to 2027	2016	Semiannually	18,655
28,095	06/06/12	Highway Allocation Fund	1.000 - 5.000	Serial 2012 to 2023	na	"	23,045
16,515	07/23/13	Limited Tax Arena Bonds	2.000 - 4.500	Serial 2016 to 2031	2023	"	16,515
2,635	07/23/13	Limited Tax Arena Bonds	2.000 - 4.500	Term 2035	2023	"	2,635
5,850	07/23/13	Limited Tax Arena Bonds	2.000 - 4.500	Term 2037	2023	"	5,850
<b>Total Tax Supported Bonds</b>							<b>\$ 66,700</b>
<b>Special Assessment Bonds:</b>							
825	8/18/11	Special Assessment	0.400 - 3.700	Serial 2012 to 2026	2016	Semiannually	625
375	8/18/11	Special Assessment	4.200	Term 2031	2016	"	375
3,000	11/23/11	Special Assessment	2.000 - 3.500	Serial 2012 to 2031	2021	"	2,490
<b>Total Special Assessment Bonds</b>							<b>\$ 3,490</b>
<b>West Haymarket Joint Public Agency</b>							
31,515	9/8/10	Facility Bonds Taxable Build America Bonds	3.500 - 4.45	Serial 2020 to 2030	Anytime	Semiannually	31,515
68,485	9/8/10	Facility Bonds Taxable Build America Bonds	4.750 / 5.000	Term 2035 & 2045	Anytime	"	68,485
15,785	12/01/10	Facility Bonds Taxable Build America Bonds	4.000 - 5.000	Serial 2020 - 2025	Anytime	"	15,785
52,180	12/01/10	Facility Bonds Taxable Build America Bonds	5.400 / 5.800 / 6.000	Term 2030 2035 2039	Anytime	"	52,180
32,035	12/01/10	Recovery Zone Economic Development	6.750	Term 2045	Anytime	"	32,035
44,290	8/24/11	Facility Bonds	3.500 - 5.000	Serial 2021 to 2032	2021	"	44,290
55,710	8/24/11	Facility Bonds	4.250 - 5.000	Term 2036 & 2042	2021	"	55,710
20,850	12/04/13	Facility Bonds	2.000 - 5.000	Serial 2014 to 2038	2023	"	20,310
7,325	12/04/13	Facility Bonds	4.500	Term 2043	2023	"	7,325
<b>Total West Haymarket Joint Public Agency</b>							<b>\$ 327,635</b>
<b>TOTAL GENERAL OBLIGATION BONDS</b>							<b>\$ 448,086</b>
<b>Tax Supported Bonds:</b>							
11,080	3/13/02	Antelope Valley Project	1.500 - 5.000	Serial 2002 to 2016	2012	Semiannually	\$ 2,875
<b>Revenue Bonds:</b>							
16,710	04/18/07	Wastewater Revenue	4.000 - 4.500	Serial 2008 to 2029	2017	Semiannually	\$ 12,340
3,750	04/18/07	Wastewater Revenue	4.375	Term 2032	2017	"	3,750
38,290	05/24/12	Wastewater Revenue Refunding	1.000 - 5.000	Serial 2013 to 2028	2023	"	32,205
12,220	04/09/15	Wastewater Revenue Refunding	1.000 - 4.000	Serial 2016 to 2030	2025	"	12,220
<b>Total Wastewater Bonds</b>							<b>\$ 60,515</b>
10,515	08/04/09	Water Revenue	2.000 - 4.125	Serial 2013 to 2029	2019	Semiannually	9,085
4,905	08/04/09	Water Revenue	4.5000	Term 2034	2019	"	4,905
10,895	06/21/12	Water Revenue Refunding	1.000 - 4.000	Serial 2013 to 2022	N/A	"	7,820
28,595	05/30/13	Water Revenue Refunding	1.000 - 5.000	Serial 2013 to 2025	2023	"	23,855
<b>Total Water Bonds</b>							<b>\$ 45,665</b>
7,745	01/27/11	Parking Revenue and Refunding	2.000 - 5.000	Serial 2015 to 2024	2021	Semiannually	7,200
10,775	01/27/11	Parking Revenue and Refunding	5.000 / 5.125 / 5.500	Term 2026 & 2031	2021	"	10,775
9,315	11/29/12	Parking Revenue and Refunding	.400 - 4.000	Serial 2013 to 2027	2022	"	7,205
2,765	11/29/12	Parking Revenue and Refunding	3.00	Term 2032	2022	"	2,765
<b>Total Parking Bonds</b>							<b>\$ 27,945</b>
8,340	02/26/13	Solid Waste Management Revenue and Refunding	.250 - 4.000	Serial 2013 to 2029	2023	Semiannually	6,765
5,520	07/08/15	Solid Waste Management Revenue	2.000 - 5.000	Serial 2016 to 2035	2025	"	\$ 5,520
<b>Total Solid Waste Management Bonds</b>							<b>\$ 12,285</b>
93,045	10/01/03	Electric Revenue and Refunding Bonds	3.000 - 5.000	Serial 2004 to 2026	2014	Semiannually	2,930
183,230	05/15/07	Electric Revenue and Refunding Bonds	4.000 - 5.000	Serial 2009 to 2035	2016	"	159,555
81,850	05/15/07	Electric Revenue and Refunding Bonds	4.500 / 4.750	Term 2034 & 2037	2016	"	81,850
247,150	08/15/12	Electric Revenue and Refunding Bonds	1.000 - 5.000	Serial 2013 to 2032	2022	"	222,355
30,165	08/15/12	Electric Revenue and Refunding Bonds	3.625 - 5.000	Term 2037	2022	"	30,165
75,525	06/20/13	Electric Revenue and Refunding Bonds	2.700 - 5.000	Serial 2021 to 2025	2023	"	75,525
<b>Total Electric Bonds</b>							<b>\$ 572,380</b>
<b>TOTAL REVENUE BONDS</b>							<b>\$ 718,790</b>

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

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

Fiscal Year Ended August 31	Major Enterprise Funds					
	Wastewater System		Water System		Electric System	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 4,562	2,690	4,307	2,101	22,050	25,382
2017	4,762	2,470	4,375	2,022	23,800	24,398
2018	4,840	2,371	4,490	1,878	24,990	23,208
2019	4,918	2,265	4,614	1,731	26,240	21,958
2020	5,027	2,151	4,775	1,556	27,550	20,646
2021-2025	27,483	8,271	21,621	5,174	158,170	82,816
2026-2030	25,302	3,297	8,223	2,361	114,620	51,335
2031-2035	6,628	338	7,372	685	95,480	28,704
2036-2038	-	-	-	-	79,480	8,238
	<u>\$ 83,522</u>	<u>23,853</u>	<u>59,777</u>	<u>17,508</u>	<u>572,380</u>	<u>286,685</u>

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

Net position of \$4,031,014, \$3,935,372, \$3,131,154, and \$1,950,809 are currently available in the debt service funds to service the General Obligation Bonds, Tax Supported Bonds, Tax Allocation Bonds, and Special Assessment Bonds, respectively. Revenue Bonds are funded partially from reserve accounts set up for debt repayment and partially from proceeds of daily operations.

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



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

	Governmental Activities	Business-Type Activities
Land	\$ 1,774,450	\$ 210,000
Buildings	25,937,597	1,646,732
Improvements	593,409	-
Infrastructure	21,172,814	-
Machinery and Equipment	6,120,540	3,245,696
Construction In Progress	-	-
Less Accumulated Depreciation, (where applicable)	(12,508,879)	(2,724,854)
Total	\$ 43,089,931	\$ 2,377,574

Under the City's Home Rule Charter, there is no legal debt limit. The various bond indentures contain significant limitations and restrictions on annual debt service requirements, minimum amounts to be maintained in various bond reserve funds, and minimum revenue bond 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, 2015, 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	\$ 503,590,000	100.0 %	\$ 503,590,000
Overlapping:			
School District #1	419,823,000	99.5	417,724,000
Public Building Commission	26,635,000	85.4	22,746,000
Lancaster County Correctional Facility	49,405,000	85.4	42,192,000
Lancaster County Fairgrounds	9,780,000	85.4	8,352,000
	<u>505,643,000</u>		<u>491,014,000</u>
Total	\$ <u>1,009,233,000</u>		\$ <u>994,604,000</u>

The City has no direct liability for the School District, Lower Platte South N.R.D., Lancaster County, Public Building Commission, Lancaster County Fairgrounds or Lancaster County Correctional Facility debt summarized above. This results in a per capita direct City debt of \$1,844.68; a per capita direct and overlapping debt of \$3,643.29; a ratio of direct City debt to 2015 actual valuation of 2.90 percent; and a ratio of direct and overlapping debt to 2015 actual valuation of 5.72 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, 2015, the Airport Authority had outstanding \$32,210,000 in aggregate principal amount of its general obligation airport bonds. The Airport Authority anticipates that such bonds will be paid from revenues derived from its operations of the Lincoln Municipal Airport, but the Airport Authority is authorized to levy a property tax, at a rate not to exceed three and five-tenths cents (\$.035) on each \$100 of taxable valuation, on all the taxable property in the City. The Airport Authority has not levied a property tax since 1985 for any purpose, including airport operating expenses or debt service on its bonds.

#### **Debt Payment Record**

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

## Contingencies

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

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

Fiscal Year	Principal	Interest <sup>2</sup>	Total Debt Service	Total General Governmental Expenditures <sup>1</sup>	Ratio Of Debt Service To Total General Expenditures
2015	\$ 10,134,997	\$ 4,812,005	\$ 14,947,002	\$ 262,329,352	5.70 %
2014	9,662,748	5,240,713	14,903,461	256,863,631	5.80
2013	8,427,726	4,266,429	12,694,155	233,802,749	5.43
2012	7,485,645	5,123,060	12,608,705	229,205,337	5.50
2011	6,857,978	5,147,840	12,005,818	225,622,756	5.32
2010	7,457,532	5,676,933	13,134,465	207,939,796	6.32
2009	8,036,544	5,814,071	13,850,615	195,544,608	7.08
2008	6,824,828	5,979,172	12,804,000	195,469,478	6.55
2007	5,617,536	4,986,687	10,604,223	192,566,160	5.51
2006	5,770,794	4,670,734	10,441,528	190,705,202	5.48

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

<sup>2</sup> Does not include fiscal and miscellaneous charges.

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

Fiscal Year	General Obligation Bonded Debt	Sinking Funds	Net General Obligation Bonded Debt	Population <sup>1</sup>	Net G.O. Bonded Debt Per Capita	Assessed Valuation Real And Personal	Ratio of Net Debt To Assessed Valuation Real & Personal <sup>2</sup>	Assessed Valuation Of Taxable Real Property <sup>2</sup>	Ratio of Net Debt To Estimated Valuation Of Taxable Real Property
2015	\$ 120,451,000	\$ 9,143,000	\$ 111,308,000	272,996	\$ 407.73	\$ 17,380,126,373	0.64%	\$ 16,602,382,002	0.67%
2014	130,391,000	9,427,000	120,964,000	268,738	450.12	17,110,968,759	0.71%	16,366,307,281	0.74%
2013	139,274,000	15,640,000	123,634,000	265,404	465.83	16,676,196,896	0.74%	15,969,385,392	0.77%
2012	113,958,000	15,142,000	98,816,000	262,341	376.67	15,900,828,813	0.62%	15,221,954,470	0.65%
2011	119,663,000	13,305,000	106,358,000	258,379	411.64	15,881,260,420	0.67%	15,125,408,200	0.70%
2010	118,383,000	13,480,000	104,903,000	254,001	413.00	15,746,453,582	0.67%	14,984,937,627	0.70%
2009	125,181,000	13,604,000	111,577,000	251,624	443.43	15,935,572,737	0.70%	15,222,189,222	0.73%
2008	128,581,000	12,962,000	115,619,000	248,744	464.81	15,653,926,490	0.74%	14,969,536,405	0.77%
2007	133,413,000	11,574,000	121,839,000	241,167	505.21	15,342,163,788	0.79%	14,638,856,501	0.83%
2006	99,347,000	9,733,000	89,614,000	239,213	374.62	13,583,250,295	0.66%	12,897,825,080	0.69%

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

<sup>2</sup> Assessed valuation is 100% of actual

**REVENUE BOND COVERAGE  
LAST TEN FISCAL YEARS**

		Gross	Direct	Net	Debt Service Requirements			
		Revenue	Operating	Available	Principal	Interest	Total	Coverage
			Expenses	Revenue				
<b>Wastewater System</b>								
2015	\$	28,026,866	13,541,561	14,485,305	3,747,284	3,114,518	6,861,802	2.11
2014		27,049,162	13,337,986	13,711,176	4,053,916	3,077,999	7,131,915	1.92
2013		24,988,275	12,522,159	12,466,116	3,487,906	3,089,698	6,577,604	1.90
2012		24,763,975	12,378,673	12,385,302	3,137,858	3,655,156	6,793,014	1.82
2011		23,546,370	12,543,964	11,002,406	2,865,000	3,647,609	6,512,609	1.69
2010		22,472,095	11,664,593	10,807,502	2,695,000	3,731,444	6,426,444	1.68
2009		22,643,270	11,771,291	10,871,979	2,620,000	3,820,044	6,440,044	1.69
2008		22,347,867	11,393,624	10,954,243	2,415,000	4,030,454	6,445,454	1.70
2007		21,158,743	11,462,964	9,695,779	2,005,000	3,081,481	5,086,481	1.91
2006		19,827,194	11,125,819	8,701,375	2,065,000	3,043,500	5,108,500	1.70
<b>Water System</b>								
2015	\$	34,481,875	16,955,058	17,526,817	4,290,300	2,116,262	6,406,562	2.74
2014		34,933,647	16,308,059	18,625,588	3,923,000	2,044,417	5,967,417	3.12
2013		34,241,815	16,113,390	18,128,425	1,850,000	2,345,562	4,195,562	4.32
2012		35,984,891	15,636,494	20,348,397	5,380,000	2,955,202	8,335,202	2.44
2011		30,629,506	15,455,027	15,174,479	6,310,000	3,191,857	9,501,857	1.60
2010		26,515,467	14,091,292	12,424,175	6,050,000	3,458,097	9,508,097	1.31
2009		27,838,187	14,995,077	12,843,110	5,795,000	3,128,414	8,923,414	1.44
2008		27,257,184	14,425,521	12,831,663	5,555,000	3,376,201	8,931,201	1.44
2007		29,386,495	14,351,136	15,035,359	5,340,000	3,612,001	8,952,001	1.68
2006		29,014,999	13,808,214	15,206,785	5,130,000	3,834,301	8,964,301	1.70
<b>Parking Facilities</b> <sup>1</sup>								
2015	\$	10,419,352	4,577,437	5,841,915	1,260,000	1,148,265	2,408,265	2.43
2014		9,816,550	4,211,473	5,605,077	1,310,000	1,172,465	2,482,465	2.26
2013		8,444,055	3,919,678	4,524,377	1,270,000	1,091,614	2,361,614	1.92
2012		7,382,101	3,823,131	3,558,970	860,000	1,078,688	1,938,688	1.84
2011		7,698,018	3,606,008	4,092,010	580,000	689,717	1,269,717	3.22
2010		6,869,392	3,340,601	3,528,791	1,435,000	558,519	1,993,519	1.77
2009		7,014,250	2,874,768	4,139,482	1,360,000	624,394	1,984,394	2.09
2008		7,134,709	2,912,511	4,222,198	1,305,000	687,194	1,992,194	2.12
2007		6,645,013	2,781,952	3,863,061	1,240,000	746,374	1,986,374	1.94
2006		6,785,593	2,775,122	4,010,471	1,185,000	799,931	1,984,931	2.02
<b>Solid Waste Management</b>								
2015	\$	10,074,541	7,519,523	2,555,018	550,000	196,202	746,202	3.42
2014		9,132,756	7,319,215	1,813,541	550,000	198,128	748,128	2.42
2013		7,933,037	7,087,935	845,102	475,000	133,463	608,463	1.39
2012		7,745,565	6,376,120	1,369,445	220,000	124,025	344,025	3.98
2011		7,615,130	6,253,133	1,361,997	210,000	132,425	342,425	3.98
2010		7,377,385	5,768,077	1,609,308	200,000	140,425	340,425	4.73
2009		7,664,336	5,491,789	2,172,547	195,000	148,225	343,225	6.33
2008		8,537,520	5,540,292	2,997,228	190,000	155,825	345,825	8.67
2007		8,020,390	5,290,802	2,729,588	185,000	160,825	345,825	7.89

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

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

	F.Y. 2015	F.Y. 2014	F.Y. 2013	F.Y. 2012	F.Y. 2011	F.Y. 2010	F.Y. 2009	F.Y. 2008	F.Y. 2007	F.Y. 2006
Cash & Investment Balance - September 1 of Year Indicated \$	32,471,866	25,932,021	22,789,222	16,942,409	14,597,487	16,286,626	15,738,481	14,632,274	13,475,643	18,948,253
Receipts:										
Property Tax	37,333,435	37,428,736	34,599,257	33,574,992	31,449,267	31,486,553	33,783,984	32,181,660	31,454,763	28,366,526
City Sales & Use Tax	68,861,600	66,393,392	63,134,808	61,472,342	57,959,545	54,925,013	54,255,376	55,733,297	53,960,485	54,270,346
Other Income	38,281,650	36,929,588	36,298,994	36,542,477	33,232,580	27,906,103	27,389,492	26,270,119	27,663,641	25,390,112
Total Receipts	144,476,685	140,751,716	134,033,059	131,589,811	122,641,392	114,317,669	115,428,852	114,185,076	113,078,889	108,026,984
Less Disbursements	140,757,744	134,211,871	130,890,260	125,742,998	120,296,470	116,006,808	114,880,707	113,078,869	111,922,258	113,499,594
Cash & Investment Balance - August 31 of Year Indicated \$	<u>36,190,807</u>	<u>32,471,866</u>	<u>25,932,021</u>	<u>22,789,222</u>	<u>16,942,409</u>	<u>14,597,487</u>	<u>16,286,626</u>	<u>15,738,481</u>	<u>14,632,274</u>	<u>13,475,643</u>

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

		<u>F.Y. 2015</u>	<u>F.Y. 2014</u>	<u>F.Y. 2013</u>	<u>F.Y. 2012</u>	<u>F.Y. 2011</u>	<u>F.Y. 2010</u>	<u>F.Y. 2009</u>	<u>F.Y. 2008</u>	<u>F.Y. 2007</u>	<u>F.Y. 2006</u>
Cash Balance - September 1 of Year Indicated	\$	3,561,702	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
Receipts:											
Property Tax		6,214,882	5,558,081	5,594,005	5,773,392	5,337,610	5,517,878	5,689,007	5,709,454	5,460,690	2,973,410
Interest Income		8,214	10,126	8,507	13,723	28,331	60,063	131,475	153,977	84,935	86,812
Bond Proceeds		6,092,475			8,369,497	20,236,484					
Other Income		<u>119,376</u>	<u>98,027</u>	<u>104,162</u>	<u>110,962</u>	<u>116,758</u>	<u>124,279</u>	<u>173,446</u>	<u>1,003,173</u>	<u>1,927,112</u>	<u>2,935,603</u>
Total Receipts		<u>12,434,947</u>	<u>5,666,234</u>	<u>5,706,674</u>	<u>14,267,574</u>	<u>25,719,183</u>	<u>5,702,220</u>	<u>5,993,928</u>	<u>6,866,604</u>	<u>7,472,737</u>	<u>5,995,825</u>
Disbursements:											
Bonds Paid		4,355,000	4,240,000	4,225,000	2,390,000	2,720,000	4,110,000	4,320,000	4,260,000	3,950,000	4,250,000
Bonds Defeased											
Interest Paid		1,500,213	1,745,495	1,521,904	1,822,197	1,753,957	2,178,545	2,335,411	2,456,373	2,217,610	2,342,582
Transfer to Trustee		5,990,206			8,242,367	21,746,822					
Other Disbursements		<u>578,958</u>	<u>2,274</u>	<u>6,501</u>	<u>118,023</u>	<u>204,668</u>	<u>6,398</u>	<u>6,438</u>	<u>5,430</u>	<u>9,530</u>	<u>6,360</u>
Total Disbursements		<u>12,424,377</u>	<u>5,987,769</u>	<u>5,753,405</u>	<u>12,572,587</u>	<u>26,425,447</u>	<u>6,294,943</u>	<u>6,661,849</u>	<u>6,721,803</u>	<u>6,177,140</u>	<u>6,598,942</u>
Cash Balance - August 31 of Year Indicated	\$	<u><u>3,572,272</u></u>	<u><u>3,561,702</u></u>	<u><u>3,883,237</u></u>	<u><u>3,929,968</u></u>	<u><u>2,234,981</u></u>	<u><u>2,941,245</u></u>	<u><u>3,533,968</u></u>	<u><u>4,201,889</u></u>	<u><u>4,057,088</u></u>	<u><u>2,761,491</u></u>

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

	<u>F.Y. 2015</u>	<u>F.Y. 2014</u>	<u>F.Y. 2013</u>	<u>F.Y. 2012</u>	<u>F.Y. 2011</u>	<u>F.Y. 2010</u>	<u>F.Y. 2009</u>	<u>F.Y. 2008</u>	<u>F.Y. 2007</u>	<u>F.Y. 2006</u>
Cash & Investment Balance - September 1 of Year Indicated	\$ 2,619,720	2,509,487	2,348,773	759,180	4,302,257	4,161,711	11,148,146	9,991,053	8,846,000	7,583,251
Receipts:										
Special Assessment Collections	1,394,764	1,521,959	941,365	1,049,570	996,209	984,301	954,672	1,235,621	1,257,112	1,476,284
Interest on Special Assessments	193,995	53,761	78,642	98,844	106,379	148,383	112,749	179,258	188,349	189,927
City's Share of Costs	901,883	783,436	1,205,443	621,898	233,615	292,420	34,802		187,957	723,038
Developers' Share of Costs										
Bond Proceeds				3,036,003	1,200,000					
Interest on Investments	19,392	40,673	41,212	47,349	60,248	135,149	335,273	453,282	340,274	254,809
Miscellaneous	<u>82,000</u>	<u>733</u>			<u>38,456</u>			<u>33,964</u>	<u>49,403</u>	<u>74,657</u>
Total Receipts	<u>2,592,034</u>	<u>2,400,562</u>	<u>2,266,662</u>	<u>4,853,664</u>	<u>2,634,907</u>	<u>1,560,253</u>	<u>1,437,496</u>	<u>1,902,125</u>	<u>2,023,095</u>	<u>2,718,715</u>
Disbursements:										
Construction Costs	1,880,449	1,213,770	901,811	2,359,096	2,081,765	1,113,691	861,203	742,698	766,768	1,066,513
Bonds Paid	175,000	175,000	170,000	190,000					55,000	
Equity Transfer							7,554,009			
Interest Paid on Bonds & Notes	109,122	112,023	114,722	94,911	3,758,342				37,581	
Other Refunds & Expenses	<u>913,317</u>	<u>789,536</u>	<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>
Total Disbursements	<u>3,077,888</u>	<u>2,290,329</u>	<u>2,105,948</u>	<u>3,264,071</u>	<u>6,177,984</u>	<u>1,419,707</u>	<u>8,423,931</u>	<u>745,032</u>	<u>878,042</u>	<u>1,455,966</u>
Cash & Investment Balance - August 31 of Year Indicated	\$ <u><u>2,133,866</u></u>	<u><u>2,619,720</u></u>	<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>

**APPENDIX B**

**FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR  
ENDED AUGUST 31, 2015, TOGETHER WITH AUDITOR'S REPORT THEREON**



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED AUGUST 31, 2015



#### ON THE COVER

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The City of Lincoln's entry corridor improvements on Cornhusker Highway include district markers donated by local manufacturer TMCO and surrounded by native plants. The project also includes street repair, banners and the planting of about 800 trees.

**COMPREHENSIVE**  
**ANNUAL FINANCIAL REPORT**

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

**FOR THE FISCAL YEAR ENDED AUGUST 31, 2015**

Prepared by:

The Accounting Division of the Finance Department

## **INTRODUCTORY SECTION**

## OFFICIALS OF THE CITY OF LINCOLN

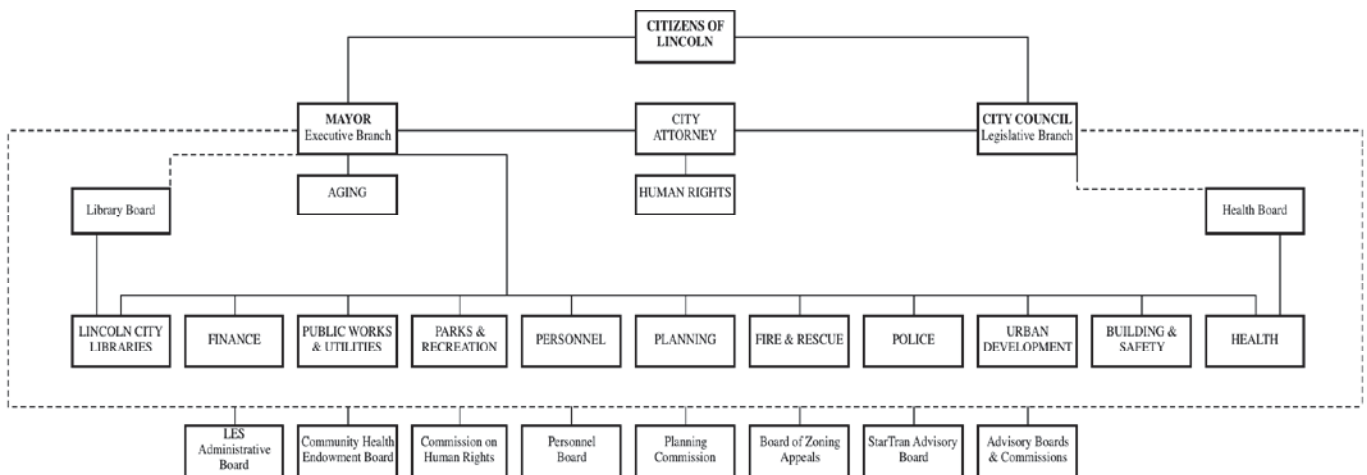
Chris Beutler ..... Mayor  
 Trent Fellers ..... Chair, City Council  
 Leirion Gaylor Baird ..... Vice Chair, City Council  
 Jon Camp ..... Council Member  
 Roy Christensen ..... Council Member  
 Carl Eskridge ..... Council Member  
 Cyndi Lamm ..... Council Member  
 Jane Raybould ..... Council Member

\* \* \* \* \*

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

\* \* \* \* \*

## CITY OF LINCOLN ORGANIZATION CHART



**CITY OF LINCOLN, NEBRASKA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2015  
TABLE OF CONTENTS**

**INTRODUCTORY SECTION**

**Page**

Title Page .....	i
Officials of The City of Lincoln.....	i
City of Lincoln Organization Chart .....	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:	
	<b><u>Note</u></b>
Summary of Significant Accounting Policies .....	30
Reconciliation of Government-wide and Fund Financial Statements .....	38
Restricted Assets .....	39
Deposits and Investments.....	39
Fund Balances .....	45
Receivables and Due From Other Governments.....	46
Capital Assets.....	47
Interfund Balances and Activity .....	50
Debt Obligations .....	51
Reconciliation of Budget Basis to GAAP.....	57
Deficit Net Position.....	57
Excesses of Expenditures Over Appropriations.....	58
Employees' Retirement Plans .....	58
Other Postemployment Benefits (OPEB) .....	65
Property Taxes .....	67
Risk Management .....	67
Commitments and Contingencies .....	69
Landfill Closure and Postclosure Care Costs.....	71
Segment Information.....	72
Pledged Revenues .....	73
Public Building Commission .....	73
Joint Antelope Valley Authority .....	74

	<u>Note</u>	<u>Page</u>
Jointly Owned Facilities.....	23.....	75
Jointly Governed Organizations.....	24.....	75
Subsequent Events .....	25.....	76
Required Supplementary Information:		
Schedule of Changes in the Police and Fire Pension (PDF) Net Pension Liability and Related Ratios .....		77
Schedule of Employer Contributions for Police and Fire Pension .....		78
Schedule of Investment Returns for the Police and Fire Pension .....		79
Schedule of Funding Progress for City OPEB .....		79



February 22, 2016

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, 2015.

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 2014 report submitted to the Government Finance Officers Association was recognized with the prestigious Certificate of Achievement for Excellence in Financial Reporting for the 32nd consecutive year. This recognition is a credit to the City and a compliment to our dedicated Finance Department.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Chris Beutler", with a long horizontal flourish extending to the right.

Chris Beutler  
Mayor of Lincoln



February 22, 2016

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, 2015, 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, 2015, 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, 2015, 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 approximately 273,000, 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 2014 has been 20% or approximately 1.31% per year. The 2014 population of Lancaster County has been estimated to be in excess of 301,000 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, 2015, was 2.3%, well below the national average of 5.1%, with employment strongest in the categories of government, educational & health services, and retail trade. Lincoln's current number of construction permits is up 7% when compared to levels 5 years ago, with an increase in the value of construction permits of over \$331 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 \$2,684,704 or 4.0% from the previous fiscal year. In relation to this primary revenue source, the City has recovered from the negative economic factors that have affected the local and national economies.

## **Long-Term Planning and Major Initiatives**

### **Urban Development**

The City anticipates approximately \$35 million of public expenditures funded through various urban development projects and programs over the next three years. These projects are varied in type and size and are located in the Downtown and Haymarket areas, North 27<sup>th</sup> Street, the Antelope Valley project area, and in low-moderate income neighborhoods throughout the City.

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

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



Ongoing and anticipated future projects include:

- Downtown Redevelopment Projects:
 

<ol style="list-style-type: none"> <li>1) West Haymarket, Block 2 project.</li> <li>2) West Haymarket, Block 4 project.</li> <li>3) West Haymarket, Block 5 project.</li> <li>4) Lumberworks Liner Building project.</li> <li>5) Schwarz Paper project.</li> <li>6) South Haymarket/Trinitas project.</li> </ol>	<ol style="list-style-type: none"> <li>7) P Street East project.</li> <li>8) Pershing Redevelopment project.</li> <li>9) Telesis/Dairy House Phase II.</li> <li>10) Gallery Alley project.</li> <li>11) 700 O Street project.</li> <li>12) Historic Haymarket streetscape.</li> </ol>
--	---
- North 27<sup>th</sup> Street redevelopment efforts will continue on a project-by-project basis.
- New Downtown Parking Garage. Parking Services Division is completing a demand and occupancy study that will assist in determining the location of a new downtown parking facility.
- Antelope Valley Redevelopment Projects:
  - 1) 21<sup>st</sup> & N Street redevelopment project.
  - 2) Aspen housing.
  - 3) 23<sup>rd</sup> and O Street project.
  - 4) 23<sup>rd</sup> and Q redevelopment project.
- University Place redevelopment of the former Green's Plumbing site.
- West O Street redevelopment will be on a project-by-project basis and the completion of the historic Detroit-Lincoln-Denver marker project.
- NW Corridor redevelopment (West Cornhusker Highway), including the Great American Sports Park.
- Innovation Campus redevelopment.
- 56<sup>th</sup> and Arbor Road redevelopment.
- Housing rehabilitation programs for quality, affordable housing and home ownership:
  - 1) Continuation of First-time Homebuyer and Owner-Occupied Housing Rehabilitation Loan programs.
  - 2) Partner with NeighborWorks-Lincoln for their Home Ownership Zone in Antelope Valley.
  - 3) Partner with other non-profit and for-profit housing organizations for affordable housing projects in low-to-moderate income neighborhoods under the Mayor's Stronger Safer Neighborhoods Program.
- Real estate major acquisition, negotiation and relocation projects:
 

<ol style="list-style-type: none"> <li>1) For effective transportation:               <ul style="list-style-type: none"> <li>✓ Yankee Hill Roadway, 70<sup>th</sup> to 81<sup>th</sup> Street.</li> <li>✓ NW 48<sup>th</sup>, Adams to Vine.</li> <li>✓ 56<sup>th</sup> Street, Old Cheney to Shadow Pines.</li> <li>✓ Coddington and West Van Dorn intersection improvements.</li> <li>✓ Yankee Hill intersection, 56<sup>th</sup> to 70<sup>th</sup>.</li> <li>✓ Pine Lake Road, 61<sup>st</sup> to Hwy 2.</li> <li>✓ Rokeby Road, 70<sup>th</sup> to 84<sup>th</sup> Street.</li> <li>✓ Yankee Hill, 81<sup>st</sup> to 91<sup>st</sup> Street.</li> </ul> </li> <li>2) For environmental quality:               <ul style="list-style-type: none"> <li>✓ Park sites citywide.</li> <li>✓ Stevens Creek sanitary sewer Phase III, IV &amp; V.</li> <li>✓ Yankee Hill water main, 56<sup>th</sup> to 84<sup>th</sup> Street.</li> <li>✓ 98<sup>th</sup> Street water main, Holdrege to Alvo.</li> <li>✓ West O sanitary sewer lift station.</li> <li>✓ 84<sup>th</sup> – YHR-Rokeby water main.</li> <li>✓ Storm water bond projects.</li> </ul> </li> </ol>	<ul style="list-style-type: none"> <li>✓ 14<sup>th</sup> and Cornhusker Hwy safety project.</li> <li>✓ 33<sup>rd</sup> and Cornhusker Hwy RTSD project.</li> <li>✓ 14<sup>th</sup>/Old Cheney/Warlick intersection.</li> <li>✓ South 84<sup>th</sup>, Hwy 2 to Rokeby Road.</li> <li>✓ East Beltway preliminary acquisitions.</li> <li>✓ South Beltway preliminary acquisitions.</li> <li>✓ Arterial/residential rehabs, executive order, traffic signals.</li> <li>✓ 6<sup>th</sup> and Old Cheney Road drainage project.</li> <li>✓ Miscellaneous sanitary sewer upgrade projects.</li> <li>✓ Conservation easements and wetlands acquisitions.</li> <li>✓ East O Street sewer and water projects</li> <li>✓ Additional projects made possible by Federal Infrastructure Stimulus funds.</li> </ul>
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- 3) Relocation activities:
  - ✓ 1<sup>st</sup> and Cornhusker Hwy project.
  - ✓ 14<sup>th</sup>/Old Cheney/Warlick intersection project.
- Workforce Innovation and Opportunity Act (WIOA) funds granted to the City for use in Lancaster and Saunders Counties provide employment, education, and support services needed by jobseekers and employers to strengthen the economy. WIOA is focused on providing work-based and on-the-job training while emphasizing occupations in-demand in the local and regional markets.

Examples of specialized projects this year include:

- 1) Partnerships with community initiatives such as Prosper Lincoln, Hiring Our Heroes, Project Everlast, 1<sup>st</sup> Job Lincoln, the Active Community Team of Saunders County, and Re-Entry Alliance of Nebraska.
- 2) Participation in LPED's Workforce Taskforce and the Business Retention & Expansion Survey Team.
- 3) Collaboration with The Career Academy and service on the Overall Advisory Board and Pathway Support Teams.
- 4) Participation in the Make It Work for Lincoln project of the Knowledge Management Council.

#### West Haymarket Project

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

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

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

#### Antelope Valley Project

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

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

Physical construction of all projects is now complete and final project documentation is expected to be completed in 2016 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 \$61,085,000 over the 5-year period of fiscal year 2015-16 through fiscal year 2019-20. Of that total, approximately \$38,050,000 will be financed by revenue bonds, approximately \$1,200,000 will be financed by impact fees, with the remaining \$21,835,000 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 \$90,900,000 over the 5-year period of fiscal year 2015-16 through 2019-20. Of these dollars, approximately \$19,000,000 will be financed through revenue bonds, approximately \$4,050,000 will be financed through impact fees, with the balance of \$67,850,000 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 2015-2020 Streets and Highways capital improvements program and Transportation improvement program identify average annual expenditures of \$42 million for the next five years. Funding for these projects includes \$121 million in City revenues, \$27 million in federal aid, and \$62 million in other funds.

#### Infrastructure Impact Fees

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

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

#### Pension Costs

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

### **Property Tax Collections**

As of August 31, 2015, current tax collections by the County Treasurer were 97.68% of the tax levy, an increase of .16% from last year. Allocations of property tax levy by purpose are as follows:

<u>City Tax Levy by Purpose</u>	<u>2014-2015</u>	<u>2013-2014</u>	<u>2012-2013</u>
General Fund	.1859	.1889	.1854
Library	.0438	.0417	.0423
Social Security	.0163	.0155	.0157
Police and Fire Pension	.0374	.0378	.0382
General Obligation Debt	<u>.0362</u>	<u>.0319</u>	<u>.0342</u>
Total	<u>.3196</u>	<u>.3158</u>	<u>.3158</u>

### **Parking Facilities**

The City of Lincoln operates the following parking garages:

<u>Facility</u>	<u>Number of Stalls</u>	<u>Date Opened</u>
Center Park	1,049	November, 1978
Cornhusker Square	390	December, 1983
University Square	429	April, 1990
Que Place	810	October, 1994
Carriage Park	701	February, 1995
Market Place	385	August, 2000
Haymarket	408	August, 2002
Larson Building	647	July, 2012
Lumberworks	530	January, 2014

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

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

	<u>2014-2015</u>	<u>2013-2014</u>
Operating Revenues	\$10,370,095	9,697,333
Operating Income Before Depreciation	5,841,915	5,605,077
Debt Service	2,483,115	2,483,115
Debt Service Coverage Ratio	2.35	2.26

### **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, 2015, the City estimates that it will incur costs approximating \$24 million to adhere to such requirements (see Note 18 of Notes to the Financial Statements).



### **Water and Wastewater System**

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

<u>Wastewater System</u>	<u>2014-2015</u>	<u>2013-2014</u>
Operating Revenues	\$27,029,419	25,860,215
Operating Income	5,504,788	4,737,120
Revenue Available For Debt Service	14,485,305	13,711,176
Debt Service	6,861,802	7,131,915
Debt Service Coverage Ratio	2.11	1.92

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>2014-2015</u>	<u>2013-2014</u>
Operating Revenues	\$31,323,477	32,623,034
Operating Income	5,871,628	8,258,038
Revenue Available For Debt Service	17,526,817	18,625,588
Debt Service	6,406,562	5,967,417
Debt Service Coverage Ratio	2.74	3.12

### **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, 2014, is included in the City's August 31, 2015, 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, 2014. This was the thirty-second consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

### **Acknowledgments**

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

Respectfully submitted,



Steve Hubka  
Interim Finance Director







Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
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Presented to

**City of Lincoln  
Nebraska**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**August 31, 2014**

Executive Director/CEO



## **FINANCIAL SECTION**

## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, Nebraska (the City) as of and for the year ended August 31, 2015, 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 did not audit the financial statements of Lincoln Wastewater System and Lincoln Water System, which represent 36%, 59% and 16%, respectively, of the total assets, net position and revenues of the business-type activities. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Lincoln Wastewater System and Lincoln Water System, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, based on our audit and the report of the other auditors, 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, 2015, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison information for the general fund and street construction fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As discussed in Notes 1 and 13 to the financial statements, in 2015 the City implemented the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

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

### ***Supplementary 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 supplementary information, consisting of combining and individual fund statements and schedules, and including the schedule of expenditures of federal awards required by *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, as 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### ***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 and statistical sections 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.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2016, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*BKD, LLP*

Lincoln, Nebraska  
February 22, 2016





## **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, 2015. Please consider this discussion in conjunction with the additional information provided in the Letter of Transmittal (beginning on s vii) and the transactions, events and conditions reflected in the City's financial statements (beginning on page 16). The financial information for 2014 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. 68 (see page 37 for information regarding the implementation of GASB Statement No. 68).

### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at August 31, 2015, by \$1,830,029,169 (net position). Of this amount, \$369,610,530 (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 \$81,550,329. Of this amount, \$51,759,341, or 63%, was an increase in governmental activities and \$29,790,988, or 37%, related to business-type activities. Please refer to the fund descriptions preceding the various combining statements (beginning on page 81) for information regarding constraints imposed on the City in spending available funds.
- As of August 31, 2015, the City's governmental funds reported combined ending fund balances of \$288,720,797, a decrease of \$2,602,096 in comparison with the prior year. Of this total fund balance, 13%, or \$37,607,772 is available for spending at the City's discretion (unassigned fund balance).
- As of August 31, 2015, unrestricted fund balance (the total of committed, assigned, and unassigned fund balance) for the general fund was \$54,183,232, or 43% of total general fund expenditures. Following the implementation of GASB Statement No. 54, reference must be made to pages 83-85 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 decreased by \$36,165,000 (3%) during the current fiscal year. The city issued \$17,940,000 in refunding bonds in the current year for a net present value savings of \$1,957,311.

### **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, 2015. 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 twenty-nine 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 30-76 of this report.

#### **OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its police and fire employees, and to provide other postemployment benefits. Required supplementary information can be found on pages 77-79 of this report.

The combining statements referred to earlier are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements and schedules can be found beginning on page 81 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 \$1,830,029,169 at August 31, 2015.

By far the largest portion of the City's net position (70%) 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, 2015 and 2014**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 535,735,372	536,125,243	310,819,974	287,136,962	846,555,346	823,262,205
Capital Assets	1,076,401,619	1,033,606,965	1,540,507,192	1,524,122,083	2,616,908,811	2,557,729,048
Total Assets	1,612,136,991	1,569,732,208	1,851,327,166	1,811,259,045	3,463,464,157	3,380,991,253
Deferred Outflows of Resources	22,176,250	1,109,915	19,316,436	21,879,889	41,492,686	22,989,804
Long-Term Liabilities Outstanding	603,978,028	561,671,668	834,851,083	861,413,108	1,438,829,111	1,423,084,776
Other Liabilities	40,716,144	43,749,448	174,514,827	138,517,929	215,230,971	182,267,377
Total Liabilities	644,694,172	605,421,116	1,009,365,910	999,931,037	1,654,060,082	1,605,352,153
Deferred Inflows of Resources	19,706,190	-	1,161,402	-	20,867,592	-
Net Position:						
Net Investment in Capital Assets	587,747,372	545,831,558	692,461,543	673,582,095	1,280,208,915	1,219,413,653
Restricted	165,389,543	155,105,392	14,820,181	15,841,002	180,209,724	170,946,394
Unrestricted	216,775,964	264,484,057	152,834,566	143,784,800	369,610,530	408,268,857
Total Net Position	\$ 969,912,879	965,421,007	860,116,290	833,207,897	1,830,029,169	1,798,628,904

An additional portion of the City's net position (10%) represents resources that are subject to external restrictions on their use. The remaining balance of unrestricted net position (20%) may be used to meet the government's ongoing obligations to citizens and creditors.

At August 31, 2015, 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.

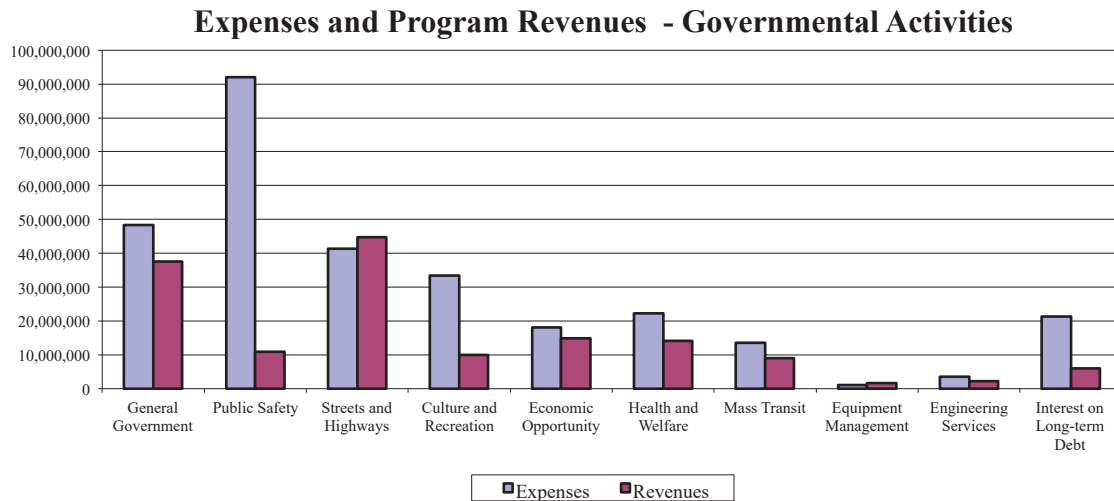
**City Of Lincoln**  
**Condensed Statements of Activities**  
**For the Years Ended August 31, 2015 and 2014**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for Services	\$ 65,598,374	62,644,024	410,081,320	386,940,021	475,679,694	449,584,045
Operating Grants and Contributions	59,762,954	71,235,768	-	-	59,762,954	71,235,768
Capital Grants and Contributions	25,708,872	23,165,428	13,309,086	5,403,759	39,017,958	28,569,187
General Revenues:						
Property Tax	60,781,216	55,871,758	-	-	60,781,216	55,871,758
Sales and Use Tax	69,437,901	66,753,197	-	-	69,437,901	66,753,197
Occupation Tax	26,367,092	25,830,488	2,832,539	2,598,793	29,199,631	28,429,281
Other Taxes	24,141,211	21,973,301	-	-	24,141,211	21,973,301
Unrestricted Grants and Contributions	65,051	80,178	-	-	65,051	80,178
Unrestricted Investment Earnings	1,842,730	2,855,984	961,154	1,757,946	2,803,884	4,613,930
Other	1,251,922	890,450	329,954	136,403	1,581,876	1,026,853
Total Revenues	334,957,323	331,300,576	427,514,053	396,836,922	762,471,376	728,137,498
Expenses:						
General Government	48,543,231	45,355,465	-	-	48,543,231	45,355,465
Public Safety	91,997,706	87,571,014	-	-	91,997,706	87,571,014
Streets and Highways	41,302,726	46,525,688	-	-	41,302,726	46,525,688
Culture and Recreation	33,418,770	35,878,349	-	-	33,418,770	35,878,349
Economic Opportunity	18,101,822	21,549,476	-	-	18,101,822	21,549,476
Health and Welfare	22,273,013	21,456,657	-	-	22,273,013	21,456,657
Mass Transit	13,477,089	13,582,835	-	-	13,477,089	13,582,835
Equipment Management	1,032,440	1,181,947	-	-	1,032,440	1,181,947
Engineering Services	3,495,741	2,774,223	-	-	3,495,741	2,774,223
Interest on Long-Term Debt	21,310,128	21,776,180	-	-	21,310,128	21,776,180
Golf Courses	-	-	3,261,611	3,473,671	3,261,611	3,473,671
Parking	-	-	9,223,770	8,078,478	9,223,770	8,078,478
Entertainment Facilities	-	-	8,386,730	13,000,711	8,386,730	13,000,711
Solid Waste Management	-	-	9,498,841	8,838,837	9,498,841	8,838,837
Ambulance Transport	-	-	6,507,925	5,564,099	6,507,925	5,564,099
Wastewater	-	-	24,128,351	23,864,691	24,128,351	23,864,691
Water	-	-	26,368,801	25,941,743	26,368,801	25,941,743
Electric	-	-	298,753,000	272,692,000	298,753,000	272,692,000
Total Expenses	294,952,666	297,651,834	386,129,029	361,454,230	681,081,695	659,106,064
Increase in Net Position Before Transfers	40,004,657	33,648,742	41,385,024	35,382,692	81,389,681	69,031,434
Transfers	11,754,684	10,825,543	(11,594,036)	(10,744,119)	160,648	81,424
Increase in Net Position	51,759,341	44,474,285	29,790,988	24,638,573	81,550,329	69,112,858
Net Position - Beginning, Before Restatement	965,421,007	920,946,722	833,207,897	808,569,324	1,798,628,904	1,729,516,046
Adjustment for Implementation of GASB 68	(47,267,469)	-	(2,882,595)	-	(50,150,064)	-
Net Position - Beginning, After Restatement	918,153,538	920,946,722	830,325,302	808,569,324	1,748,478,840	1,729,516,046
Net Position - Ending	\$ 969,912,879	965,421,007	860,116,290	833,207,897	1,830,029,169	1,798,628,904

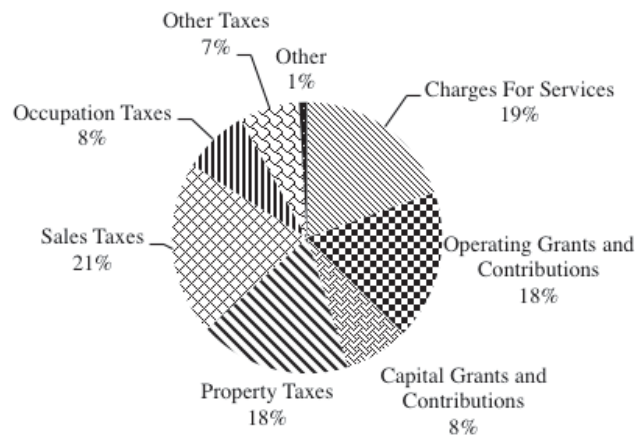
## GOVERNMENTAL ACTIVITIES

Governmental activities increased the City's net position by \$51,759,341, accounting for 63% of the total growth in the net position of the City of Lincoln. Key elements of this increase are as follows:

- Total grants and contributions decreased by approximately \$9 million (9.5%) during 2015 after showing an increase of 9.9% in the prior year. Approximately \$8.5 million of this decrease was the result of a volatile investment market and its impact on endowment fund earnings.
- Property Tax receipts increased by approximately \$4.9 million (8.8%) in 2015. There was both an increase in the tax base and also an increase to the tax levy due to debt service requirements of a voter approved stormwater bond issue.
- Sales taxes increased by approximately \$2.7 million (4.0%) during 2015 after showing an increase of 5.1% in the prior year.
- Other Tax receipts increased by approximately \$2.2 million (9.9%) during 2015, due in large part to the State distribution of turn back tax related to revenues of the Arena facility and associated hotels.
- Unrestricted investment earnings decreased by approximately \$1 million in 2015 after showing an increase the prior year. The most significant reason for this change was the volatility of the investment market from the prior fiscal year to the current fiscal year.



**Revenues By Source - Governmental Activities**



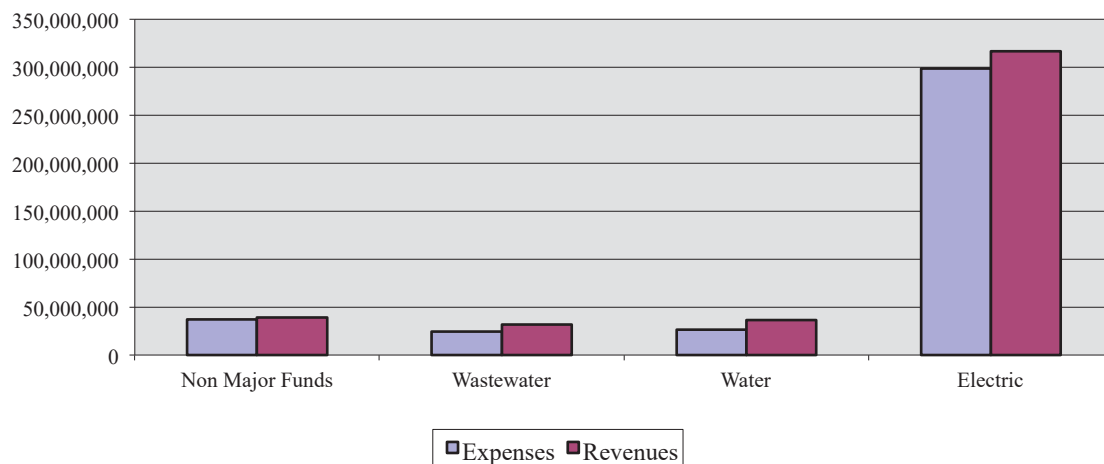
#### BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City's net position by \$29,790,988, accounting for 37% of the total growth in the government's net position. Key elements of this increase are as follows:

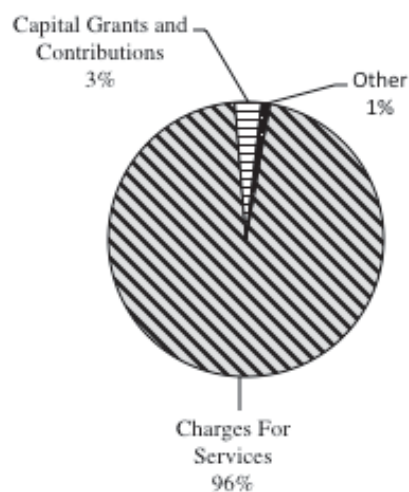
- Lincoln Electric System operating revenue in 2014 was 8.4% higher than 2013. Retail revenue was 2.2% higher due to the impact of a 2.9% rate increase on January 1, 2014, partially offset by a decrease in energy sales of 0.5%. Wholesale revenue increased 69.7% due to participation in the Southwest Power Pool Integrated Marketplace, partially offset by a decrease in energy sales of 3.2%. The city dividend for utility ownership added \$7 million to operating revenue, up 7.8% primarily due to increased net position in 2013 and realized gain from sale of natural gas (net position is used in the determination of the city dividend for utility ownership).

- Lincoln Wastewater System reported increased service charge revenues due to a 5% increase implemented November 2014. Total operating expenses increased primarily due to higher personnel costs, including salary and fringe benefits. Capital contributions increased due to increased development activity.
- Lincoln Water System revenue decreased during the year due to higher precipitation levels in 2015 compared to 2014. Rainfall for fiscal year 2015 was 40.37 inches, while the 30-year average was 28.93 inches. Total operating expenses increased primarily due to higher personnel costs, including salary and fringe benefits. Capital contributions increased due to increased development activity.

#### Expenses And Program Revenues - Business-type Activities



#### Revenues By Source - Business-type Activities



## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

### **GOVERNMENTAL FUNDS**

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

As of August 31, 2015, the City's governmental funds reported combined ending fund balances of \$288,720,797, a decrease of \$(2,602,096) in comparison with the prior year. Of this total amount, 13% constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is not in spendable form (\$3,048,351), legally required to be maintained intact (\$37,160,000), restricted for particular purposes (\$143,130,301), committed for particular purposes (\$3,033,446), or assigned for particular purposes (\$64,740,927).

The General Fund is the chief operating fund of the City. At August 31, 2015, the unrestricted fund balance of the General Fund was \$54,183,232, while total fund balance reached \$61,516,773. 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 43% of total general fund expenditures, while total fund balance represents 49% of that same amount.

The fund balance of the City's General Fund increased by \$4,052,390 during 2015. The City appropriates General fund balance as a funding source for budget, with the allocation of balances spread over the two-year budget cycle.

The Street Construction Fund has a total fund balance of \$68,907,774, which is to be used in the construction and maintenance of streets and highways. The net decrease in fund balance during 2015 in the Street Construction Fund was \$(5,442,601), the result of several significant projects that have been conducted in the current year and the pre-funding of projects in the prior year that had delayed construction timelines.

The West Haymarket JPA Fund had a fund balance of \$24,352,343, 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 is \$1,023,296. The fund balance is a result of the issuance of bonds in prior years, occupation tax and donation revenue, less the Agency's expenditures for construction, debt service and general operations.

### **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 \$21,924,167, \$31,289,129, \$110,122,000 and \$(10,500,730), respectively, at August 31, 2015 (December 31, 2014 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 \$670,371) and can be briefly summarized as follows:

Expenditure appropriations:

- \$(2,566,363) in miscellaneous changes in general government activities.
- \$(1,576,091) in decreases allocated to public safety.
- \$(220,651) in decreases to streets & highways.
- \$176,986 in increases allocated to parks and recreation.
- \$120,145 in increases allocated to fiber network improvements.
- \$4,736,345 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:

- \$3,601,246 positive variance in real estate and personal property tax. Actual property tax collections were 97.68% of the 2014 levy, while estimated tax revenue is based on 90% collections as provided by the City Charter.
- \$4,313,148 positive variance in miscellaneous general government expenditures. Significant savings were realized in several service line items that are reappropriated to cover future expenditures.
- \$2,200,955 positive variance in police and fire expenditures. Remaining balances are reappropriated to the next year to assist with one-time expenditures that are not ongoing operating expenditures.
- (\$1,751,837) negative variance in street lighting function expenditures. This variance was the result of additions related to both normal construction as well as Antelope Valley Project construction.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **CAPITAL ASSETS**

The City's investment in capital assets for its governmental and business-type activities as of August 31, 2015, amounts to \$2,616,908,811 (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 2015 was 2.3% (a 4.1% increase for governmental activities and a 1.1% increase for business-type activities).

Major capital asset events during 2015 included the following:

- The City increased its investment in infrastructure, including streets, bridges, drainage and traffic systems, in excess of \$50 million.
- The City invested in its mass transit system with the purchase of eight new buses at a cost of approximately \$3.9 million.
- The LES Southwest Reliability Project, which includes the installation of 5.5 miles of overhead line and construction of a new substation, is expected to be completed in 2015 with a total project cost of \$8.6 million.
- Construction to upgrade the LES substation at 21<sup>st</sup> & N Street is expected to be completed in 2015 with a total project cost of \$2.9 million.
- The majority of the work to remodel the Lincoln Electric Building and build a new training facility was completed in 2014 with an estimated total project cost of \$2.9 million
- A multi-year project by LES to install an underground duct, adjacent to existing aging underground facilities to allow faster restoration of service should the cable fail, was started in the summer of 2012 with a target completion date of 2022 and a total project cost of \$30.1 million.
- Lincoln Wastewater System 2015 events include replacement of a liftstation and solids dewatering improvements for approximately \$3.5 million and \$3.9 million, respectively.
- Lincoln Water System had approximately \$5.3 million of treatment plant modifications and selected main replacements.



**City Of Lincoln**  
**Capital Assets (net of depreciation)**  
**August 31, 2015 and 2014**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 144,393,691	141,724,149	24,979,425	24,440,188	169,373,116	166,164,337
Buildings	284,057,834	267,885,080	151,439,031	156,269,518	435,496,865	424,154,598
Improvements Other Than Buildings	68,888,373	59,970,122	478,172,559	464,616,356	547,060,932	524,586,478
Machinery and Equipment	36,355,170	34,330,128	20,175,942	13,726,707	56,531,112	48,056,835
Utility Plant	-	-	803,439,000	779,726,000	803,439,000	779,726,000
Infrastructure	482,433,178	466,235,722	-	-	482,433,178	466,235,722
Construction-in-progress	60,273,373	63,461,764	62,301,235	85,343,314	122,574,608	148,805,078
Total	<u>\$ 1,076,401,619</u>	<u>1,033,606,965</u>	<u>1,540,507,192</u>	<u>1,524,122,083</u>	<u>2,616,908,811</u>	<u>2,557,729,048</u>

Additional information on the City's capital assets can be found in Note 7 of the notes to the financial statements on pages 47-49 of this report.

**LONG-TERM DEBT**

At August 31, 2015, the City of Lincoln had total bonded debt outstanding of \$1,169,751,000. Of this amount, \$448,086,000 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, 2015 and 2014**  
(dollar amounts in thousands)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 448,086	458,566	-	-	448,086	458,566
Tax Supported Bonds	2,875	3,690	-	-	2,875	3,690
Revenue Bonds	-	-	718,790	743,660	718,790	743,660
Total	<u>\$ 450,961</u>	<u>462,256</u>	<u>718,790</u>	<u>743,660</u>	<u>1,169,751</u>	<u>1,205,916</u>

The City's total bonded debt decreased by \$36,165,000 (3%) in the current fiscal year. The city issued \$17,940,000 in refunding bonds in the current year for a net present value savings of \$1,957,311.

The City maintains the following credit ratings:

	Moody's Investors Service	Standard & Poor's	Fitch Investors Service
General Obligation Bonds	Aaa	AAA	-
West Haymarket JPA Bonds	Aa1	AAA	-
Antelope Valley Project Bonds	Aa2	AA	-
Water Revenue Bonds	Aa1	AA	-
Wastewater Revenue Bonds			
MBIA insured	Aaa	AAA	-
Underlying	Aa2	AA+	-
Parking Revenue Bonds	A1	A	-
Lincoln Electric System			
Revenue Bonds	-	AA	AA
Lincoln Electric System			
Commercial Paper	-	A-1+	F1+

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 51-57 of this report.



## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

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

- Property tax revenue required to fund the 2015-2016 budget increased \$2,461,398 from the prior year. Total change in the tax base is 4.92%, with 3.5% estimated to come from revaluation of existing property.
- 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 2016 include increased Parks and Recreation program fees, \$71,862; increased revenue from donations and TIF collections for the Airport Entryway project, \$304,700; and increased various environmental health fees, \$23,303.
- Utility rates are increased by an average of 3%, resulting in additional 2016 revenues of \$1,189,000 for Water and \$878,900 for Wastewater.
- An increase in Landfill gate fees and occupation tax fees are scheduled to begin September 2015, generating an additional \$1,092,572 in the 2016 fiscal year for the Solid Waste Management Fund.
- 2016 projected sales tax collections reflect a 4.5% increase over 2015 projected collections.
- Staffing changes included in the 2015-2016 budget result in an increase for all funds of 1.82 full-time equivalents.
- Health care premiums for the City's self-insured health plan for employees are projected to increase 9% in 2016.

## **REQUESTS FOR INFORMATION**

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

## **BASIC FINANCIAL STATEMENTS**

**CITY OF LINCOLN, NEBRASKA**  
**STATEMENT OF NET POSITION**  
**AUGUST 31, 2015**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 18,652,171	26,765,709	45,417,880
Investments	252,323,432	133,493,822	385,817,254
Receivables, (Net of Allowance for Uncollectibles)	32,135,480	47,051,183	79,186,663
Internal Balances	(3,061,329)	3,061,329	-
Due from Other Governments	27,925,349	165,512	28,090,861
Inventories	2,426,860	17,193,688	19,620,548
Plant Operation Assets	-	11,909,000	11,909,000
Prepaid Items	1,894,332	1,335,715	3,230,047
Other Assets	130,000	7,412,972	7,542,972
Restricted Assets:			
Cash and Cash Equivalents	172,376	8,221,635	8,394,011
Investments	37,160,000	54,198,162	91,358,162
Receivables	-	11,247	11,247
Investment in Joint Venture	165,976,701	-	165,976,701
Capital Assets:			
Non-depreciable	204,667,064	87,280,660	291,947,724
Depreciable (Net)	871,734,555	1,453,226,532	2,324,961,087
Total Assets	<u>1,612,136,991</u>	<u>1,851,327,166</u>	<u>3,463,464,157</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Loss on Refunding	1,118,577	17,845,444	18,964,021
Deferred Outflows for Pension	21,057,673	1,470,992	22,528,665
Total Deferred Outflows of Resources	<u>22,176,250</u>	<u>19,316,436</u>	<u>41,492,686</u>
<b>LIABILITIES</b>			
Accounts Payable and Other Current Liabilities	13,811,789	20,674,091	34,485,880
Accrued Liabilities	8,072,535	43,696,438	51,768,973
Due to Other Governments	5,043,981	217,177	5,261,158
Unearned Revenue	8,918,850	5,058,210	13,977,060
Notes Payable	-	95,500,000	95,500,000
Accrued Interest Payable	4,868,989	9,368,911	14,237,900
Noncurrent Liabilities:			
Payable within One Year	31,939,706	38,915,947	70,855,653
Payable in More Than One Year	572,038,322	795,935,136	1,367,973,458
Total Liabilities	<u>644,694,172</u>	<u>1,009,365,910</u>	<u>1,654,060,082</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Gain on Refunding	795,000	-	795,000
Deferred Inflows for Pension	18,911,190	1,161,402	20,072,592
Total Deferred Inflows of Resources	<u>19,706,190</u>	<u>1,161,402</u>	<u>20,867,592</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	587,747,372	692,461,543	1,280,208,915
Restricted for:			
Debt Service	6,569,300	8,842,265	15,411,565
Capital Projects	65,556,686	5,977,916	71,534,602
Grantor Loan Programs	17,814,000	-	17,814,000
Other	12,133,217	-	12,133,217
Trust Donations:			
Expendable	1,870,415	-	1,870,415
Nonexpendable	160,000	-	160,000
Health Care:			
Expendable	24,285,925	-	24,285,925
Nonexpendable	37,000,000	-	37,000,000
Unrestricted	<u>216,775,964</u>	<u>152,834,566</u>	<u>369,610,530</u>
Total Net Position	<u>\$ 969,912,879</u>	<u>860,116,290</u>	<u>1,830,029,169</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, 2015**

		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	\$ (48,543,231)	34,039,065	1,578,136	1,899,228	(11,026,802)	-	(11,026,802)
Public Safety	(91,997,706)	7,653,414	2,945,650	334,944	(81,063,698)	-	(81,063,698)
Streets and Highways	(41,302,726)	5,070,875	23,397,448	16,310,746	3,476,343	-	3,476,343
Culture and Recreation	(33,418,770)	4,565,482	1,592,092	3,813,937	(23,447,259)	-	(23,447,259)
Economic Opportunity	(18,101,822)	1,709,576	10,857,752	2,378,726	(3,155,768)	-	(3,155,768)
Health and Welfare	(22,273,013)	5,120,923	8,930,227	-	(8,221,863)	-	(8,221,863)
Mass Transit	(13,477,089)	3,256,923	5,842,841	-	(4,377,325)	-	(4,377,325)
Equipment Management	(1,032,440)	1,641,022	-	-	608,582	-	608,582
Engineering Services	(3,495,741)	2,187,050	-	1,523	(1,307,168)	-	(1,307,168)
Interest on Long-Term Debt	(21,310,128)	354,044	4,618,808	969,768	(15,367,508)	-	(15,367,508)
Total Governmental Activities	<u>(294,952,666)</u>	<u>65,598,374</u>	<u>59,762,954</u>	<u>25,708,872</u>	<u>(143,882,466)</u>	<u>-</u>	<u>(143,882,466)</u>
Business-Type Activities:							
Golf	(3,261,611)	3,389,209	-	-	-	127,598	127,598
Parking System	(9,223,770)	11,848,451	-	-	-	2,624,681	2,624,681
Municipal Auditorium	(33,652)	763	-	-	-	(32,889)	(32,889)
Municipal Arena	(8,353,078)	8,322,073	-	-	-	(31,005)	(31,005)
Solid Waste Management	(9,498,841)	7,218,591	-	1,953,763	-	(326,487)	(326,487)
Emergency Medical Services	(6,507,925)	6,398,757	-	61,491	-	(47,677)	(47,677)
Wastewater System	(24,128,351)	27,004,622	-	4,483,405	-	7,359,676	7,359,676
Water System	(26,368,801)	31,275,854	-	5,145,427	-	10,052,480	10,052,480
Electric System	(298,753,000)	314,623,000	-	1,665,000	-	17,535,000	17,535,000
Total Business-Type Activities	<u>(386,129,029)</u>	<u>410,081,320</u>	<u>-</u>	<u>13,309,086</u>	<u>-</u>	<u>37,261,377</u>	<u>37,261,377</u>
Total	<u>\$ (681,081,695)</u>	<u>475,679,694</u>	<u>59,762,954</u>	<u>39,017,958</u>	<u>(143,882,466)</u>	<u>37,261,377</u>	<u>(106,621,089)</u>
General Revenues:							
Property Tax					60,781,216	-	60,781,216
Motor Vehicle Tax					5,049,072	-	5,049,072
Wheel Tax					17,548,482	-	17,548,482
Sales and Use Tax					69,437,901	-	69,437,901
Sundry and In Lieu Tax					1,543,657	-	1,543,657
Occupation Tax					26,367,092	2,832,539	29,199,631
Unrestricted Grants and Contributions					65,051	-	65,051
Unrestricted Investment Earnings					1,842,730	961,154	2,803,884
Miscellaneous General Revenues					1,251,922	329,954	1,581,876
Transfers					11,754,684	(11,594,036)	160,648
Total General Revenues and Transfers					<u>195,641,807</u>	<u>(7,470,389)</u>	<u>188,171,418</u>
Change in Net Position					<u>51,759,341</u>	<u>29,790,988</u>	<u>81,550,329</u>
Net Position - Beginning					965,421,007	833,207,897	1,798,628,904
Adjustment for Implementation of GASB 68					<u>(47,267,469)</u>	<u>(2,882,595)</u>	<u>(50,150,064)</u>
Net Position - Beginning of Year, After Restatement					<u>918,153,538</u>	<u>830,325,302</u>	<u>1,748,478,840</u>
Net Position - Ending					<u>\$ 969,912,879</u>	<u>860,116,290</u>	<u>1,830,029,169</u>

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

**CITY OF LINCOLN, NEBRASKA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**AUGUST 31, 2015**

	General Fund	Street Construction Fund	West Haymarket JPA Fund	Other Governmental Funds	Total
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 3,447,953	3,186,766	579,126	10,785,057	17,998,902
Investments	44,301,940	59,660,104	33,766,391	116,553,775	254,282,210
Receivables, (Net of Allowance for Uncollectibles)	5,062,887	326,415	2,083,732	24,331,022	31,804,056
Due from Other Funds	3,745,757	6,837,122	-	1,235,814	11,818,693
Due from Other Governments	12,718,556	9,994,970	865,637	4,106,208	27,685,371
Inventories	400,286	490,789	-	680,863	1,571,938
Assets Held for Resale	-	-	-	130,000	130,000
Prepaid Items	258,388	25,564	270,525	921,936	1,476,413
Total Assets	<u>69,935,767</u>	<u>80,521,730</u>	<u>37,565,411</u>	<u>158,744,675</u>	<u>346,767,583</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	1,495,951	5,730,569	130,042	3,576,822	10,933,384
Contracts Payable	-	67,114	6,347	-	73,461
Accrued Liabilities	4,687,383	249,921	183,000	2,306,142	7,426,446
Due to Other Funds	903,856	342,226	911,796	13,501,260	15,659,138
Due to Other Governments	34,988	2,588,490	2,264,643	265,240	5,153,361
Due to Other Contractors	-	-	-	1,516,758	1,516,758
Unearned Revenue	530	-	8,622,610	241,739	8,864,879
Total Liabilities	<u>7,122,708</u>	<u>8,978,320</u>	<u>12,118,438</u>	<u>21,407,961</u>	<u>49,627,427</u>
Deferred Inflows of Resources:					
Unavailable Revenues	<u>1,296,286</u>	<u>2,635,636</u>	<u>1,094,630</u>	<u>3,392,807</u>	<u>8,419,359</u>
Fund Balances:					
Nonspendable	658,674	516,353	270,525	38,762,799	40,208,351
Restricted	6,674,867	50,520,328	9,327,186	76,607,920	143,130,301
Committed	-	-	-	3,033,446	3,033,446
Assigned	16,266,623	17,871,093	14,754,632	15,848,579	64,740,927
Unassigned	<u>37,916,609</u>	<u>-</u>	<u>-</u>	<u>(308,837)</u>	<u>37,607,772</u>
Total Fund Balances	<u>61,516,773</u>	<u>68,907,774</u>	<u>24,352,343</u>	<u>133,943,907</u>	<u>288,720,797</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 69,935,767</u>	<u>80,521,730</u>	<u>37,565,411</u>	<u>158,744,675</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,052,950,294
Investment in joint venture is not a financial resource and, therefore, is not reported in the funds.	165,976,701
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	8,419,359
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.	34,228,341
Long-term construction contracts and other liabilities require the use of unavailable financial resources and, therefore, are not reported in the funds.	(4,828,873)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(575,553,740)
Net position of governmental activities	<u>\$ 969,912,879</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, 2015**

	General Fund	Street Construction Fund	West Haymarket JPA Fund	Other Governmental Funds	Total
<b>REVENUES</b>					
Taxes:					
Property	\$ 32,436,034	-	-	28,609,720	61,045,754
Motor Vehicle	5,049,072	-	-	-	5,049,072
Wheel	-	-	-	17,548,482	17,548,482
Sales and Use	69,437,901	-	-	-	69,437,901
Sundry and In Lieu	48,596	-	-	1,492,513	1,541,109
Occupation	10,920,203	-	15,446,889	-	26,367,092
Special Assessment	2,050	357	-	1,773,496	1,775,903
Intergovernmental	3,721,598	31,816,555	3,623,098	31,533,691	70,694,942
Permits and Fees	5,536,892	4,510,170	3,770	15,276,972	25,327,804
Reimbursement for Services	7,405,279	284,674	6,978,600	1,414,714	16,083,267
Program Income	-	-	-	13,858	13,858
Investment Earnings	302,940	354,580	600,995	(252,049)	1,006,466
Donations	630,549	-	500,000	2,355,134	3,485,683
Keno Proceeds	-	-	-	4,343,261	4,343,261
Miscellaneous	601,049	554,379	567,755	1,460,138	3,183,321
Total Revenues	<u>136,092,163</u>	<u>37,520,715</u>	<u>27,721,107</u>	<u>105,569,930</u>	<u>306,903,915</u>
<b>EXPENDITURES</b>					
Current:					
General Government	32,523,389	-	6,091,193	12,099,909	50,714,491
Public Safety	67,774,062	-	-	7,851,101	75,625,163
Streets and Highways	6,503,487	12,958,038	-	2,845	19,464,370
Culture and Recreation	13,462,781	-	-	11,075,515	24,538,296
Economic Opportunity	4,235,703	-	-	10,537,720	14,773,423
Health and Welfare	331,878	-	-	22,706,907	23,038,785
Mass Transit	-	-	-	15,539,838	15,539,838
Debt Service	78,950	-	16,796,109	21,759,927	38,634,986
Capital Outlay	-	45,174,142	2,852,825	15,627,573	63,654,540
Total Expenditures	<u>124,910,250</u>	<u>58,132,180</u>	<u>25,740,127</u>	<u>117,201,335</u>	<u>325,983,892</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>11,181,913</u>	<u>(20,611,465)</u>	<u>1,980,980</u>	<u>(11,631,405)</u>	<u>(19,079,977)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	11,283,230	20,834,110	-	32,229,969	64,347,309
Transfers Out	(21,893,971)	(5,671,021)	(957,684)	(25,097,906)	(53,620,582)
Issuance of Debt	3,400,000	-	-	-	3,400,000
Issuance of Refunding Debt	-	-	-	9,010,000	9,010,000
Premium on Debt Issued	62,602	-	-	372,475	435,077
Transfer To Bond Refunding Agent	-	-	-	(9,280,206)	(9,280,206)
Sale of Capital Assets	18,616	5,775	-	2,161,892	2,186,283
Total Other Financing Sources (Uses)	<u>(7,129,523)</u>	<u>15,168,864</u>	<u>(957,684)</u>	<u>9,396,224</u>	<u>16,477,881</u>
Net Change in Fund Balances	<u>4,052,390</u>	<u>(5,442,601)</u>	<u>1,023,296</u>	<u>(2,235,181)</u>	<u>(2,602,096)</u>
Fund Balances - Beginning	<u>57,464,383</u>	<u>74,350,375</u>	<u>23,329,047</u>	<u>136,179,088</u>	<u>291,322,893</u>
Fund Balances - Ending	<u>\$ 61,516,773</u>	<u>68,907,774</u>	<u>24,352,343</u>	<u>133,943,907</u>	<u>288,720,797</u>

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

**CITY OF LINCOLN, NEBRASKA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

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

Net change in fund balances - total governmental funds	\$ (2,602,096)
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.	33,662,285
The net effect of various miscellaneous transactions involving capital contributions is to increase net position.	10,365,108
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.	34,333
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.	11,580,323
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.	(2,624,771)
Changes in the net pension liability, deferred inflows and outflows related to the total pension liability, and the net OPEB obligation do not represent financial activity in the governmental funds.	(3,595,916)
Changes in the interest in the underlying net position of the joint venture do not represent financial activity in governmental funds.	190,782
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.	4,749,293
Change in net position of governmental activities	<u><u>\$ 51,759,341</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, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues:				
Real Estate and Personal Property Tax	\$ 32,651,823	32,651,823	36,253,069	3,601,246
Taxes Collected by Others	69,356,651	69,356,651	68,861,600	(495,051)
Sundry Taxes and In Lieu	50,759	50,759	50,933	174
Occupation Taxes	11,435,960	11,435,960	11,340,187	(95,773)
Intergovernmental	2,266,408	2,266,408	1,681,207	(585,201)
Permits and Fees	3,455,482	3,455,482	3,591,435	135,953
Reimbursement for Services	3,137,790	3,137,790	3,682,579	544,789
Court Fees	737,000	737,000	762,436	25,436
Recreation Receipts	2,432,493	2,432,493	2,516,160	83,667
Investment Earnings	83,501	83,501	286,886	203,385
Donations	595,081	595,081	595,051	(30)
Rental Income	514,650	514,650	603,012	88,362
Miscellaneous	331,642	331,642	470,579	138,937
Total Revenues	<u>127,049,240</u>	<u>127,049,240</u>	<u>130,695,134</u>	<u>3,645,894</u>
Expenditures:				
General Government:				
Legislative	299,024	300,007	249,693	50,314
Executive	1,529,374	1,562,165	1,373,946	188,219
Financial Administration	2,805,310	2,846,384	2,536,222	310,162
Law	2,941,253	2,989,137	2,776,005	213,132
Personnel Administration	1,083,818	1,181,656	1,020,975	160,681
Planning and Zoning	1,849,413	1,920,049	1,709,508	210,541
Urban Development	846,457	869,659	853,206	16,453
Miscellaneous	29,350,671	26,469,900	22,156,752	4,313,148
Total General Government	<u>40,705,320</u>	<u>38,138,957</u>	<u>32,676,307</u>	<u>5,462,650</u>
Public Safety:				
Police	37,827,031	35,617,612	34,633,300	984,312
Fire	26,067,373	26,679,917	25,463,274	1,216,643
Traffic Engineering	1,652,637	1,673,421	1,793,248	(119,827)
Total Public Safety	<u>65,547,041</u>	<u>63,970,950</u>	<u>61,889,822</u>	<u>2,081,128</u>
Streets and Highways:				
Street Maintenance	2,682,334	2,445,889	2,164,953	280,936
Street Lighting	3,054,100	3,069,894	4,821,731	(1,751,837)
Total Streets and Highways	<u>5,736,434</u>	<u>5,515,783</u>	<u>6,986,684</u>	<u>(1,470,901)</u>
Culture and Recreation:				
Parks and Recreation	13,478,916	13,655,902	13,363,015	292,887
Libraries	232,739	232,739	232,009	730
Total Culture and Recreation	<u>13,711,655</u>	<u>13,888,641</u>	<u>13,595,024</u>	<u>293,617</u>
Economic Opportunity:				
Lincoln Area Agency on Aging	249,158	249,158	249,158	-
Job Programs	106,302	106,302	106,302	-
Fiber Network	91,632	211,777	129,658	82,119
Total Economic Opportunity	<u>447,092</u>	<u>567,237</u>	<u>485,118</u>	<u>82,119</u>
Health and Welfare:				
Lincoln/Lancaster County Health	324,662	324,662	324,662	-
Debt Service:				
Issuance and Management Costs	-	-	78,950	(78,950)
Total Expenditures	<u>126,472,204</u>	<u>122,406,230</u>	<u>116,036,567</u>	<u>6,369,663</u>
Excess of Revenues Over Expenditures	<u>577,036</u>	<u>4,643,010</u>	<u>14,658,567</u>	<u>10,015,557</u>
Other Financing Sources (Uses):				
Transfers In	12,496,443	12,496,443	11,283,434	(1,213,009)
Transfers Out	(30,420,150)	(35,156,495)	(27,854,569)	7,301,926
Proceeds from Issuance of Debt	3,400,000	3,400,000	3,400,000	-
Premium on Debt Issued	-	-	62,602	62,602
Sale of Capital Assets	5,000	5,000	18,463	13,463
Total Other Financing Sources (Uses)	<u>(14,518,707)</u>	<u>(19,255,052)</u>	<u>(13,090,070)</u>	<u>6,164,982</u>
Net Change in Fund Balances	<u>(13,941,671)</u>	<u>(14,612,042)</u>	<u>1,568,497</u>	<u>16,180,539</u>
Fund Balances - Beginning	<u>39,974,269</u>	<u>39,974,269</u>	<u>39,974,269</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 26,032,598</u>	<u>25,362,227</u>	<u>41,542,766</u>	<u>16,180,539</u>

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





**CITY OF LINCOLN, NEBRASKA**  
**STREET CONSTRUCTION FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues:				
Intergovernmental	10,092,451	10,092,451	24,628,334	14,535,883
Permits and Fees	-	-	425,323	425,323
Reimbursement for Services	500,000	500,000	201,947	(298,053)
Investment Earnings	57,200	57,200	240,914	183,714
Miscellaneous	-	-	2,314	2,314
Total Revenues	10,649,651	10,649,651	25,498,832	14,849,181
Expenditures -- Streets and Highways:				
Personal Services	6,986,668	6,986,668	6,839,063	147,605
Materials and Supplies	1,068,175	1,068,175	1,170,073	(101,898)
Other Services and Charges	4,698,662	4,661,161	3,797,383	863,778
Capital Outlay	36,300	1,771,300	888,038	883,262
Total Expenditures	12,789,805	14,487,304	12,694,557	1,792,747
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,140,154)	(3,837,653)	12,804,275	16,641,928
Other Financing Sources (Uses):				
Transfers In	21,001,391	21,001,391	21,001,391	-
Transfers Out	(5,671,021)	(5,671,021)	(5,671,021)	-
Sale of Capital Assets	-	-	2,916	2,916
Total Other Financing Sources (Uses)	15,330,370	15,330,370	15,333,286	2,916
Net Change in Fund Balances	13,190,216	11,492,717	28,137,561	16,644,844
Amount Budgeted on Project Basis	(34,125,058)	(34,125,058)	(34,125,058)	-
Fund Balances - Beginning	70,142,138	70,142,138	70,142,138	-
Fund Balances - Ending	\$ 49,207,296	47,509,797	64,154,641	16,644,844

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, 2015**

	Business-Type Activities -- Enterprise Funds					Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds	Total	
<b>ASSETS</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 407,420	527,547	21,964,000	3,866,742	26,765,709	653,269
Investments	10,920,149	13,646,084	80,061,000	7,083,575	111,710,808	20,204,612
Restricted Assets:						
Restricted Cash and Cash Equivalents	-	-	5,187,000	-	5,187,000	-
Investments	-	-	11,574,000	-	11,574,000	-
Receivables, (Net of Allowance for Uncollectibles)	2,164,305	3,143,564	19,509,000	3,199,045	28,015,914	331,424
Unbilled Revenues	2,631,813	3,978,456	12,425,000	-	19,035,269	-
Due from Other Funds	471,019	2,462,771	-	906,739	3,840,529	1,364,307
Due from Other Governments	-	124,781	-	40,731	165,512	239,978
Inventories	109,221	927,428	15,745,000	412,039	17,193,688	854,922
Plant Operation Assets	-	-	11,909,000	-	11,909,000	-
Prepays and Other Current Assets	-	-	3,051,000	79,715	3,130,715	417,919
Total Current Assets	16,703,927	24,810,631	181,425,000	15,588,586	238,528,144	24,066,431
Noncurrent Assets:						
Investments	6,583,343	9,736,519	-	5,463,152	21,783,014	14,996,610
Costs Recoverable from Future Billings	696,897	502,075	4,419,000	-	5,617,972	-
Restricted Assets:						
Cash and Cash Equivalents	-	-	47,000	2,987,635	3,034,635	172,376
Investments	7,645,346	7,475,108	18,293,000	9,210,708	42,624,162	-
Receivables	-	-	-	11,247	11,247	-
Total Restricted Assets	7,645,346	7,475,108	18,340,000	12,209,590	45,670,044	172,376
Capital Assets:						
Land	6,862,144	5,391,676	-	12,725,605	24,979,425	1,306,950
Buildings	80,049,323	79,967,560	-	76,091,056	236,107,939	13,448,344
Improvements Other Than Buildings	299,125,875	342,722,186	-	48,508,979	690,357,040	746,307
Machinery and Equipment	9,976,633	24,167,087	-	17,995,103	52,138,823	32,671,611
Utility Plant	-	-	1,410,277,000	-	1,410,277,000	-
Construction in Progress	1,479,918	6,194,349	53,994,000	632,968	62,301,235	-
Less Accumulated Depreciation	(127,963,257)	(139,569,323)	(606,838,000)	(61,283,690)	(935,654,270)	(24,721,887)
Total Capital Assets, Net	269,530,636	318,873,535	857,433,000	94,670,021	1,540,507,192	23,451,325
Total Noncurrent Assets	284,456,222	336,587,237	880,192,000	112,342,763	1,613,578,222	38,620,311
Total Assets	301,160,149	361,397,868	1,061,617,000	127,931,349	1,852,106,366	62,686,742
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Loss on Refunding	669,714	710,994	16,433,000	31,736	17,845,444	-
Deferred Outflows for Pension	-	-	-	1,470,992	1,470,992	-
Total Deferred Outflows of Resources	669,714	710,994	16,433,000	1,502,728	19,316,436	-
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable	320,288	511,645	18,184,000	1,658,158	20,674,091	1,288,186
Construction Contracts	1,133,634	1,821,804	-	-	2,955,438	-
Accrued Liabilities	592,948	903,486	41,710,000	490,004	43,696,438	544,311
Accrued Compensated Absences	391,570	502,356	-	519,393	1,413,319	774,652
Due to Other Funds	-	-	-	279,200	279,200	585,191
Due to Other Governments	-	-	-	217,177	217,177	11,851
Unearned Revenue	-	-	-	5,058,210	5,058,210	53,971
Claims	-	-	1,017,000	-	1,017,000	4,772,592
Accrued Interest	604,882	196,624	8,467,000	100,405	9,368,911	106,954
Current Portion of Notes Payable	-	-	95,500,000	200,000	95,700,000	-
Current Portion of Capital Lease	-	-	-	345,876	345,876	1,557,650
Current Portion of Long-Term Debt	4,562,314	4,307,000	22,050,000	2,065,000	32,984,314	-
Total Current Liabilities	7,605,636	8,242,915	186,928,000	10,933,423	213,709,974	9,695,358
Noncurrent Liabilities:						
Due to Other Funds	-	-	-	500,000	500,000	-
Accrued Compensated Absences	324,589	513,702	-	153,963	992,254	953,345
Construction Contracts	117,455	84,336	-	-	201,791	-
Claims	-	-	496,000	-	496,000	6,278,513
Notes Payable	-	-	-	1,400,000	1,400,000	-
Capital Lease Payable	-	-	-	1,205,037	1,205,037	11,071,452
Long-Term Debt, Net	82,590,586	58,405,625	589,007,000	39,151,922	769,155,133	-
Accrued Liabilities	264,347	409,929	-	867,986	1,542,262	459,733
Net Pension Liability	-	-	-	3,368,659	3,368,659	-
Accrued Landfill Closure/Postclosure Care Costs	-	-	-	17,574,000	17,574,000	-
Total Noncurrent Liabilities	83,296,977	59,413,592	589,503,000	64,221,567	796,435,136	18,763,043
Total Liabilities	90,902,613	67,656,507	776,431,000	75,154,990	1,010,145,110	28,458,401
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Inflows for Pension	-	-	-	1,161,402	1,161,402	-
<b>NET POSITION</b>						
Net Investment in Capital Assets	187,492,677	260,427,539	184,131,000	60,410,327	692,461,543	10,792,315
Restricted for:						
Debt Service	1,039,387	272,916	7,366,000	163,962	8,842,265	-
Capital Projects	471,019	2,462,771	-	3,044,126	5,977,916	-
Unrestricted	21,924,167	31,289,129	110,122,000	(10,500,730)	152,834,566	23,436,026
Total Net Position	\$ 210,927,250	294,452,355	301,619,000	53,117,685	860,116,290	34,228,341

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, 2015**

	Business-Type Activities -- Enterprise Funds					Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds	Total	
<b>Operating Revenues</b>						
Charges for Services	\$ 27,029,419	31,323,477	301,387,000	7,929,789	367,669,685	67,162,196
Fees	-	-	-	9,449,377	9,449,377	-
Parking Revenue	-	-	-	10,540,877	10,540,877	-
Performance Revenue	-	-	-	6,510,745	6,510,745	-
Other Operating Revenue	-	-	13,236,000	2,760,381	15,996,381	-
Total Operating Revenues	<u>27,029,419</u>	<u>31,323,477</u>	<u>314,623,000</u>	<u>37,191,169</u>	<u>410,167,065</u>	<u>67,162,196</u>
<b>Operating Expenses</b>						
Personal Services	-	-	-	13,833,458	13,833,458	14,506,891
Contractual Services	-	-	-	7,073,442	7,073,442	-
Operation and Maintenance	11,597,213	15,082,933	24,775,000	9,895,430	61,350,576	46,590,640
Purchased Power	-	-	149,726,000	-	149,726,000	-
Depreciation	7,983,070	8,496,791	44,182,000	5,058,966	65,720,827	2,830,906
Administrative Costs	1,944,348	1,872,125	39,167,000	-	42,983,473	-
Total Operating Expenses	<u>21,524,631</u>	<u>25,451,849</u>	<u>257,850,000</u>	<u>35,861,296</u>	<u>340,687,776</u>	<u>63,928,437</u>
Operating Income	<u>5,504,788</u>	<u>5,871,628</u>	<u>56,773,000</u>	<u>1,329,873</u>	<u>69,479,289</u>	<u>3,233,759</u>
<b>Nonoperating Revenues (Expenses)</b>						
Investment Earnings	280,812	442,287	152,000	86,055	961,154	250,488
Gain on Disposal of Capital Assets	-	843,321	-	566,666	1,409,987	40,657
Insurance Recovery	-	-	-	56,143	56,143	-
Occupation Tax	-	-	-	2,832,539	2,832,539	-
Payments in Lieu of Taxes	-	-	(10,344,000)	-	(10,344,000)	-
Net Costs Recoverable	(44,968)	(48,767)	(1,117,000)	-	(1,210,735)	-
Debt Issuance Expense	-	-	-	(129,524)	(129,524)	-
Interest Expense and Fiscal Charges	(2,558,753)	(1,711,506)	(25,550,000)	(1,332,688)	(31,152,947)	(330,015)
Other	-	-	(2,227,000)	-	(2,227,000)	-
Total Nonoperating Revenues (Expenses)	<u>(2,322,909)</u>	<u>(474,665)</u>	<u>(39,086,000)</u>	<u>2,079,191</u>	<u>(39,804,383)</u>	<u>(38,870)</u>
Income Before Contributions and Transfers	3,181,879	5,396,963	17,687,000	3,409,064	29,674,906	3,194,889
Capital Contributions	4,483,405	5,145,427	1,665,000	2,170,728	13,464,560	437,005
Plant Costs Recovered through Capital Contributions	-	-	(1,665,000)	-	(1,665,000)	-
Transfers In	-	-	-	378,991	378,991	1,263,313
Transfers Out	-	-	(8,970,000)	(3,092,469)	(12,062,469)	(145,914)
Change in Net Position	<u>7,665,284</u>	<u>10,542,390</u>	<u>8,717,000</u>	<u>2,866,314</u>	<u>29,790,988</u>	<u>4,749,293</u>
Net Position - Beginning of Year, Before Restatement	203,261,966	283,909,965	292,902,000	53,133,966	833,207,897	29,479,048
Adjustment for Implementation of GASB 68	-	-	-	(2,882,595)	(2,882,595)	-
Net Position - Beginning of Year, After Restatement	<u>203,261,966</u>	<u>283,909,965</u>	<u>292,902,000</u>	<u>50,251,371</u>	<u>830,325,302</u>	<u>29,479,048</u>
Net Position - Ending	<u>\$ 210,927,250</u>	<u>294,452,355</u>	<u>301,619,000</u>	<u>53,117,685</u>	<u>860,116,290</u>	<u>34,228,341</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, 2015**

	Business-Type Activities -- Enterprise Funds					Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds	Total	
<b>Cash Flows from Operating Activities</b>						
Receipts from Customers and Users	\$ 29,016,453	30,236,547	329,172,000	34,682,816	423,107,816	15,366,583
Receipts from Interfund Services Provided	408,708	892,142	6,451,000	1,373,310	9,125,160	52,187,617
Payments to Suppliers for Goods and Services	(3,464,230)	(4,680,242)	(203,217,000)	(13,455,724)	(224,817,196)	(41,511,672)
Payments to Employees	(7,271,274)	(8,471,842)	(27,476,000)	(13,430,370)	(56,649,486)	(14,372,064)
Payments for Interfund Services Provided	(2,934,083)	(3,658,416)	(1,196,000)	(3,317,323)	(11,105,822)	(4,294,144)
Other Receipts	-	-	-	2,740,428	2,740,428	-
Net Cash Provided by Operating Activities	<u>15,755,574</u>	<u>14,318,189</u>	<u>103,734,000</u>	<u>8,593,137</u>	<u>142,400,900</u>	<u>7,376,320</u>
<b>Cash Flows from Noncapital Financing Activities</b>						
Occupation Tax	-	-	-	2,860,621	2,860,621	-
Payments in Lieu of Taxes	-	-	(10,098,000)	-	(10,098,000)	-
Transfers from Other Funds	-	-	-	289,608	289,608	1,263,313
Transfers to Other Funds	-	-	(8,811,000)	(3,001,086)	(11,812,086)	(145,914)
Return of Excess Premiums	-	-	(538,000)	-	(538,000)	-
Advances from General Fund	-	-	-	1,334,314	1,334,314	2,026,575
Repayment of Advances from General Fund	-	-	-	(1,669,066)	(1,669,066)	(2,056,633)
Repayments from Other Funds	69,765	70,167	-	47,198	187,130	97,080
Principal Payment of Long-Term Debt	-	-	-	(200,000)	(200,000)	-
Interest and Fiscal Charges Paid	-	-	-	(3,420)	(3,420)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>69,765</u>	<u>70,167</u>	<u>(19,447,000)</u>	<u>(341,831)</u>	<u>(19,648,899)</u>	<u>1,184,421</u>
<b>Cash Flows from Capital and Related Financing Activities</b>						
Additions to Capital Assets	(13,469,766)	(9,834,142)	(49,144,000)	(2,878,763)	(75,326,671)	(2,230,110)
Capital Contributions	737,176	1,872,790	1,665,000	32,563	4,307,529	-
Proceeds from Sale of Capital Assets	-	905,545	-	689,856	1,595,401	158,496
Insurance Recovery	-	-	-	56,143	56,143	-
Proceeds from Issuance of Commercial Paper	-	-	31,000,000	-	31,000,000	-
Proceeds from Issuance of Long-Term Debt	1,938,063	1,359,650	-	5,823,675	9,121,388	-
Cost of Debt Issuance	-	-	(874,000)	(129,524)	(1,003,524)	-
Funds Used for Bond Refunding	(822,739)	-	-	-	(822,739)	-
Net Cost of Retiring Plant	-	-	(3,474,000)	-	(3,474,000)	-
Principal Payments of Capital Lease	-	-	-	(398,498)	(398,498)	(1,752,789)
Principal Payments of Long-Term Debt	(3,747,284)	(4,290,300)	(21,060,000)	(1,810,000)	(30,907,584)	-
Interest and Fiscal Charges Paid	(2,982,845)	(2,116,261)	(26,449,000)	(1,380,972)	(32,929,078)	(403,800)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(18,347,395)</u>	<u>(12,102,718)</u>	<u>(68,336,000)</u>	<u>4,480</u>	<u>(98,781,633)</u>	<u>(4,228,203)</u>
<b>Cash Flows from Investing Activities</b>						
Proceeds from Sale and Maturities of Investments	20,092,251	18,607,731	124,299,000	12,087,374	175,086,356	25,780,992
Purchases of Investments	(18,956,047)	(22,313,350)	(136,285,000)	(20,099,458)	(197,653,855)	(31,845,163)
Interest and Other Receipts	217,877	328,880	128,000	64,466	739,223	185,448
Net Cash Provided (Used) by Investing Activities	<u>1,354,081</u>	<u>(3,376,739)</u>	<u>(11,858,000)</u>	<u>(7,947,618)</u>	<u>(21,828,276)</u>	<u>(5,878,723)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,167,975)	(1,091,101)	4,093,000	308,168	2,142,092	(1,546,185)
Cash and Cash Equivalents - Beginning	1,575,395	1,618,648	23,105,000	6,546,209	32,845,252	2,371,830
Cash and Cash Equivalents - Ending	<u>\$ 407,420</u>	<u>\$ 527,547</u>	<u>\$ 27,198,000</u>	<u>\$ 6,854,377</u>	<u>\$ 34,987,344</u>	<u>\$ 825,645</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>						
Operating Income	\$ 5,504,788	5,871,628	56,773,000	1,329,873	69,479,289	3,233,759
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	7,983,070	8,496,791	44,182,000	5,058,966	65,720,827	2,830,906
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:						
Accounts Receivable and Unbilled Revenues	2,403,742	(188,838)	805,000	(22,413)	2,997,491	221,743
Lease Receivable	-	-	-	-	-	350,000
Due from Other Funds	-	-	-	(670,089)	(670,089)	404,410
Due from Other Governments	-	-	-	7,840	7,840	(153,326)
Inventories	(17,706)	13,052	(714,000)	34,157	(684,497)	51,408
Plant Operation Assets	-	-	29,000	-	29,000	-
Prepaid Expenses	-	-	923,000	(43,100)	879,900	(15,275)
Other Assets	-	-	(1,339,000)	-	(1,339,000)	-
Deferred Outflows for Pension	-	-	-	(1,470,992)	(1,470,992)	-
Accounts Payable	(227,760)	50,763	2,564,000	(251,085)	2,135,918	(411,686)
Accrued Liabilities	60,314	34,932	-	63,754	159,000	62,149
Accrued Compensated Absences	49,126	39,861	-	58,755	147,742	72,678
Due to Other Funds	-	-	-	(228,975)	(228,975)	(27,739)
Due to Other Governments	-	-	-	(79,067)	(79,067)	8,100
Unearned Revenue	-	-	-	2,290,047	2,290,047	(80,823)
Claims	-	-	(183,000)	-	(183,000)	830,016
Other Liabilities	-	-	694,000	-	694,000	-
Net Pension Liability	-	-	-	486,064	486,064	-
Accrued Landfill Closure/Postclosure Care Costs	-	-	-	868,000	868,000	-
Deferred Inflows for Pension	-	-	-	1,161,402	1,161,402	-
Total Adjustments	<u>10,250,786</u>	<u>8,446,561</u>	<u>46,961,000</u>	<u>7,263,264</u>	<u>72,921,611</u>	<u>4,142,561</u>
Net Cash Provided by Operating Activities	<u>\$ 15,755,574</u>	<u>\$ 14,318,189</u>	<u>\$ 103,734,000</u>	<u>\$ 8,593,137</u>	<u>\$ 142,400,900</u>	<u>\$ 7,376,320</u>
<b>Supplemental Disclosure of Noncash Investing, Capital, and Financing Activities:</b>						
Contribution of Capital Assets	\$ 3,746,229	3,272,637	-	2,138,165	9,157,031	437,005
Purchase of Capital Assets on Account	1,251,089	1,906,140	999,000	535,084	4,691,313	202,283
Change in Fair Value of Investments	(71,744)	(102,257)	13,000	15,688	(145,313)	52,544
Debt Refunding/Defeasance	12,220,000	-	-	-	12,220,000	-
Allowance for Funds Used in Construction	-	-	368,000	-	368,000	-

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, 2015**

	Police & Fire Pension Trust Fund	Agency Funds
	<u>Trust Fund</u>	<u>Funds</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,453,348	2,329,365
Investments:		
Pooled Investment Funds	3,241,829	-
Equities	13,140,477	-
Mutual Funds	150,190,830	-
Limited Partnership	11,428,688	-
Real Estate Limited Partnerships	24,532,552	-
Total Investments	<u>202,534,376</u>	-
Receivables:		
Contributions	557,977	-
Accrued Interest	3,280	657
Other	-	47,005
Due from Other Governments	1,515	-
Contractor Retainage	<u>-</u>	<u>87,633</u>
Total Assets	<u>204,550,496</u>	<u><u>2,464,660</u></u>
<b>LIABILITIES</b>		
Warrants Payable	-	623,423
Accounts Payable	23,313	207,903
Accrued Liabilities	9,803	-
Accrued Compensated Absences	11,932	-
Due to Other Governments	393	881,992
Due to Homeowners	-	12,729
Due to Contractors	-	620,687
Due to Bondholders	<u>-</u>	<u>117,926</u>
Total Liabilities	<u>45,441</u>	<u><u>2,464,660</u></u>
<b>NET POSITION</b>		
Net Position Restricted for Pensions	<u><u>\$ 204,505,055</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, 2015**

	<u>Police &amp; Fire Pension Trust Fund</u>
Additions:	
Contributions:	
Employer	\$ 8,035,051
Employee	<u>2,600,901</u>
Total Contributions	<u>10,635,952</u>
Investment Earnings:	
Interest	170,545
Dividends	6,375,141
Net Decrease in Fair Value of Investments	<u>(12,376,972)</u>
Net Investment Earnings (Loss)	<u>(5,831,286)</u>
Total Additions	<u>4,804,666</u>
Deductions:	
Benefit Payments	13,137,786
Refunds of Contributions	573,962
Administrative Costs	<u>449,267</u>
Total Deductions	<u>14,161,015</u>
Change in Net Position	(9,356,349)
Net Position Restricted for Pensions - Beginning	<u>213,861,404</u>
Net Position Restricted for Pensions - Ending	<u><u>\$ 204,505,055</u></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, 2015**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

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

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

**FISCAL YEAR-END**

All funds of the City, with the exception of Lincoln Electric System (LES), are reported as of and for the year ended August 31, 2015. December 31st is the fiscal year-end of LES as established by the City Charter, and the last separate financial statements were as of and for the year ended December 31, 2014. The amounts included in the City's 2015 financial statements for LES are amounts as of and for the year ended December 31, 2014.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise funds:

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

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

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

#### ASSETS, LIABILITIES, AND NET POSITION OR FUND EQUITY

##### Deposits and Investments

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

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

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

Receivables and Payables

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

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

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

Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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

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

Costs Recoverable from Future Billings

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

Investment in Joint Venture

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

Capital Assets

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

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

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

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

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

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

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

#### Compensated Absences

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

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

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

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

#### Long-Term Obligations

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

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

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

#### Fund Equity

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

The City has established a policy providing for an unreserved fund balance in the City's General Fund. To meet excess cash flow needs, no less than twenty percent of the ensuing year's General Fund budget is to be set aside as an unrestricted reserve. Currently \$29,828,781 of the General Fund's spendable and unrestricted fund balance meets the requirements of this policy.

#### Net Position Classification

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

*Net investment in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvements of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.

*Restricted* – This component of net position consists of restricted assets, reduced by liabilities related to those assets, with constraints placed on their use through external parties such as creditors (debt covenants), grantors, contributors, or law or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$180,209,724 of restricted net position, of which enabling legislation restricts \$17,677,143.



CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

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

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

**BUDGETARY DATA**

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

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

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

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

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

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

ENDOWMENTS

The Community Health Permanent Endowment Fund was established in 1997 with the \$37,000,000 cash proceeds realized by the City from the sale of Lincoln General Hospital, and may be increased by donations, bequests, or appropriations to the fund. Investment earnings of the fund are used for funding health and health-related programs that further the health, safety, or welfare of the citizens of Lincoln. Earnings deposited with the City Treasurer shall be paid out only by order of those persons designated by the Community Health Endowment (CHE) Board of Trustees as outlined in the Fiscal and Budget Directives policy between the CHE and the City. State law directs that, subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. The current amount of net appreciation available for expenditure is \$23,420,925, which is reported as expendable health care restricted net position in the statement of net position. The initial endowment principal is reported as nonexpendable health care restricted net position in the statement of net position.

ESTIMATES

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

IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

In 2015, the City implemented the provisions of the following accounting principles:

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

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

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

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

The implementation of GASB Statements No. 69 and 71 did not have a significant impact on the City's financial statements.



CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

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

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

The governmental funds balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position of governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, “Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of the \$575,553,740 difference are as follows:

Bonds Payable	\$ 450,960,813
Less issuance discounts	(992,628)
Plus issuance premiums	12,174,282
Less deferred charge on refunding	(323,577)
Capital Leases Payable	28,819,059
Accrued Interest Payable	4,762,035
Net Pension Liability	54,369,793
Deferred Outflows for Pension	(21,057,673)
Deferred Inflows for Pension	18,911,190
Net OPEB Liability	9,631,174
Compensated Absences	18,299,272
Net difference	<u><u>\$ 575,553,740</u></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 \$33,662,285 difference are as follows:

Capital outlay	\$ 70,161,868
Depreciation expense	<u>(36,499,583)</u>
Net difference	<u><u>\$ 33,662,285</u></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 \$11,580,323 difference are as follows:

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$(2,624,771) difference are as follows:

Construction contracts	(506,548)
Accrued interest	87,671
Compensated absences	(2,005,061)
Other	26,663
Net difference	<u>\$ (2,624,771)</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 in the Renewal and Replacement Account are restricted for specific purposes including improvements, repairs and replacements, acquisition of equipment, and the payment of bond principal and interest. Assets included in the Construction Account are restricted for paying the cost of capital improvements. Also, the Lincoln Electric System has assets restricted for paying employee health claims and the Municipal Services Center Internal Service Fund has assets restricted for capital improvements.

A recap of the proprietary funds restrictions and related balances at August 31, 2015, are as follows:

Fund Account	Parking System	Solid Waste Management	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Municipal Services Center	Total
Principal and Interest	\$ 201,685	-	1,644,268	469,540	15,810,000	-	18,125,493
Reserve	2,613,661	1,117,084	5,696,316	5,077,600	17,843,000	-	32,347,661
Surplus	-	-	304,762	1,927,968	-	-	2,232,730
Renewal and Replacement	2,387,434	-	-	-	-	-	2,387,434
Capital Construction and Equipment	624,130	5,265,596	-	-	-	172,376	6,062,102
Claims	-	-	-	-	1,448,000	-	1,448,000
Total	<u>\$ 5,826,910</u>	<u>6,382,680</u>	<u>7,645,346</u>	<u>7,475,108</u>	<u>35,101,000</u>	<u>172,376</u>	<u>62,603,420</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, provide a Federal Home Loan Bank letter of credit, or to pledge government securities (types of which are specifically identified in the Statutes) to the City Treasurer in the amount of the City's deposits. The Statutes allow pledged securities to be reduced by the amount of the deposit insured by the Federal Deposit Insurance Corporation (FDIC).

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

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

### INVESTMENTS

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

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

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

Investment agreements are made with provisions that if the provider is downgraded below Aa3 by Moody's Investors Service (Moody's) or AA- by Standard & Poor's (S&P), the provider must deliver collateral of U.S. Government agencies obligations at a margin of 102-104%, and if the provider is further downgraded below A3 by Moody's or A- by S&P, the City will have the right to terminate the agreement and receive all invested amounts plus accrued but unpaid interest without penalty. As of August 31, 2015, the investment agreements were adequately collateralized with U.S. Government treasury obligations that had a rating of Aaa by Moody's and AA+ by S&P, or by small business administration obligations which are 100% guaranteed by the U.S. Government.

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

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

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

Community Health Endowment (CHE) Policy

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

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

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, CHE's investment policy requires the average duration of the fixed income portfolio to be no more than 120% of the appropriate fixed income benchmark.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is CHE's policy to limit its investments in fixed income securities to issues with at least BBB-/Baa3 ratings. Short-term fixed income issues should have a minimum A-2/P-2 rating. None of CHE's investments were rated at August 31, 2015.

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

*Foreign Currency Risk.* This risk relates to adverse affects on the fair value of an investment from changes in exchange rates. CHE had no investment denominated in foreign currency at August 31, 2015.

Police & Fire Pension Trust Policy

The Police & Fire Pension Trust Investment Board, established by the City Council in accordance with the Lincoln Municipal Code chapter 4.62, directs and oversees the trust's investments for the sole benefit of plan participants and beneficiaries. The Board consists of nine members. Two board positions shall be filled by the City Finance Director and the City Human Resources Director; two board positions shall be elected by secret ballot by the active paid police officers of the City; two board positions shall be elected by secret ballot by the active paid firefighters of the City; and three board positions shall be appointed by the Mayor, after consultation with the other six members, subject to approval by the City Council. The three appointed members shall have at least five years demonstrated experience in financial, actuarial, investment or employee benefit plan matters.

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

The board also provides oversight and directions to the plan administrator with regard to the investments of the trust's funds. The daily management responsibility of the trust and routine investment transactions are delegated to the plan administrator.

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

The investment board has the responsibility to allocate plan assets in various investment strategies to reach the overall return and risk objectives of the plan. Annually the board reviews the plan's investments from an "asset allocation" perspective. The strategic allocation process is based on such factors as historical absolute returns of the benchmarks, recent returns for benchmarks, volatility of benchmark returns as measured by standard deviation, and the correlation of returns with other asset classes used in the portfolio. The following was the board's adopted asset allocation as of August 31, 2015:

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

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

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

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

*Concentration of Credit Risk.* It is the desire of the board that no more than 5% of assets may be from a single corporate or sovereign issuer exclusive of the U.S. government. The board reviews assets to monitor the concentration of overlapping securities held by multiple mutual funds. The following individual investments currently held by the Plan are greater than 5% of the Plan's fiduciary net position:

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

Summary of Deposit and Investment Balances

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

	<u>Totals</u>		
Investments	\$ 725,899,494		
Deposits and Cash on Hand	11,404,902		
	<u>\$ 737,304,396</u>		
	<u>Government-wide</u>	<u>Fiduciary Funds</u>	
	<u>Statement of</u>	<u>Statement of</u>	
	<u>Net Assets</u>	<u>Net Assets</u>	<u>Totals</u>
Cash and Cash Equivalents	\$ 45,417,880	3,782,713	49,200,593
Investments	385,817,254	202,534,376	588,351,630
Restricted Assets:			
Cash and Cash Equivalents	8,394,011	-	8,394,011
Investments	91,358,162	-	91,358,162
	<u>\$ 530,987,307</u>	<u>206,317,089</u>	<u>737,304,396</u>



CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

**(5) FUND BALANCES**

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

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



CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

**(6) RECEIVABLES AND DUE FROM OTHER GOVERNMENTS**

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

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

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

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

Fund/Fund Type	Amount	Service
General/Major Governmental	\$ 11,931,361	State of Nebraska, July/August Sales and Use Tax
	462,394	August Motor Vehicle Taxes Collected by Lancaster County
	14,073	August Property Tax Interest Collected by Lancaster County
	166,581	Federal Government, Cost Reimbursements
	29,737	State of Nebraska, Cost Reimbursements
	108,920	Lancaster County, Cost Reimbursements
Street Construction/Major Governmental	4,128,817	State of Nebraska, July/August Highway User Fees
	29,976	Lancaster County, Cost Reimbursements
	4,636,814	State of Nebraska, Cost Reimbursements
	1,199,008	Federal Government, Cost Reimbursements
West Haymarket JPA/Major Governmental	865,637	Federal Government, Cost Reimbursements
Water/Major Enterprise	124,781	State of Nebraska, Cost Reimbursements
Lincoln/Lancaster Co. Health/Special Revenue	392,154	Lancaster County, Cost Reimbursements
StarTran/Special Revenue	51,235	Federal Government, Cost Reimbursements
Federal Grants/Special Revenue	1,128,078	Federal Government, Cost Reimbursements
	504,410	State of Nebraska, Cost Reimbursements
Antelope Valley/Tax Supported Bonds/Debt Service	166,667	State of Nebraska, July/August Development Fund Disbursements
Special Assessment/Debt Service	187,215	August Special Assessments Collected by Lancaster County
Vehicle Tax/Capital Projects	1,591,378	August Motor Vehicle Taxes Collected by Lancaster County
Storm Sewer Bonds/Capital Projects	81,174	Federal Government, Cost Reimbursements
Parking System/Enterprise	11,425	State of Nebraska, Cost Reimbursements
Pinnacle Bank Arena/Enterprise	18,708	State of Nebraska Billings
Information Services/Internal Service	171,991	Lancaster County Billings
Insurance Revolving/Internal Service	12,867	Lancaster County Billings
Police Garage/Internal Service	30,101	State of Nebraska Billings
Copy Services/Internal Service	15,090	Lancaster County Billings
Subtotal	28,060,592	
All other	30,269	
Total Due From Other Governments	\$ 28,090,861	

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

(7) **CAPITAL ASSETS**

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

	Beginning Balances	Increases	Decreases	Transfers/ Reclassifications	Ending Balances
<b>Governmental Activities:</b>					
Capital Assets, not being Depreciated:					
Land	\$ 141,724,149	2,769,025	145,983	46,500	144,393,691
Construction in Progress	63,461,764	33,945,257	37,133,648	-	60,273,373
Total Capital Assets, not being Depreciated	<u>205,185,913</u>	<u>36,714,282</u>	<u>37,279,631</u>	<u>46,500</u>	<u>204,667,064</u>
Capital Assets, being Depreciated:					
Buildings	310,669,718	23,485,554	2,047,914	3,905,631	336,012,989
Improvements Other Than Buildings	93,795,605	12,156,208	425,336	108,137	105,634,614
Machinery and Equipment	94,702,368	9,209,350	4,416,070	206,194	99,701,842
Infrastructure	719,545,844	38,168,584	282,433	-	757,431,995
Total Capital Assets, being Depreciated	<u>1,218,713,535</u>	<u>83,019,696</u>	<u>7,171,753</u>	<u>4,219,962</u>	<u>1,298,781,440</u>
Less Accumulated Depreciation for:					
Buildings	42,784,638	7,319,735	2,047,915	3,898,697	51,955,155
Improvements Other Than Buildings	33,825,483	3,243,459	418,241	95,540	36,746,241
Machinery and Equipment	60,372,240	7,042,409	4,274,171	206,194	63,346,672
Infrastructure	253,310,122	21,724,886	36,191	-	274,998,817
Total Accumulated Depreciation	<u>390,292,483</u>	<u>39,330,489</u>	<u>6,776,518</u>	<u>4,200,431</u>	<u>427,046,885</u>
Total Capital Assets, being Depreciated, Net	<u>828,421,052</u>	<u>43,689,207</u>	<u>395,235</u>	<u>19,531</u>	<u>871,734,555</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,033,606,965</u>	<u>80,403,489</u>	<u>37,674,866</u>	<u>66,031</u>	<u>1,076,401,619</u>
<b>Business-type Activities:</b>					
Capital Assets, not being Depreciated:					
Land	\$ 24,440,188	656,316	70,579	(46,500)	24,979,425
Construction in Progress	85,343,314	70,625,904	93,667,983	-	62,301,235
Total Capital Assets, not being Depreciated	<u>109,783,502</u>	<u>71,282,220</u>	<u>93,738,562</u>	<u>(46,500)</u>	<u>87,280,660</u>
Capital Assets, being Depreciated:					
Buildings	240,197,535	477,997	655,211	(3,912,382)	236,107,939
Improvements Other Than Buildings	672,114,750	32,198,549	93,868	(13,862,391)	690,357,040
Machinery and Equipment	35,290,563	4,201,543	908,095	13,554,812	52,138,823
Utility Plant	1,352,479,000	64,420,000	6,622,000	-	1,410,277,000
Total Capital Assets, being Depreciated	<u>2,300,081,848</u>	<u>101,298,089</u>	<u>8,279,174</u>	<u>(4,219,961)</u>	<u>2,388,880,802</u>
Less Accumulated Depreciation for:					
Buildings	83,928,017	5,301,550	655,211	(3,905,448)	84,668,908
Improvements Other Than Buildings	207,498,394	13,177,067	93,868	(8,397,112)	212,184,481
Machinery and Equipment	21,563,856	3,060,210	763,315	8,102,130	31,962,881
Utility Plant	572,753,000	44,182,000	10,097,000	-	606,838,000
Total Accumulated Depreciation	<u>885,743,267</u>	<u>65,720,827</u>	<u>11,609,394</u>	<u>(4,200,430)</u>	<u>935,654,270</u>
Total Capital Assets, being Depreciated, Net	<u>1,414,338,581</u>	<u>35,577,262</u>	<u>(3,330,220)</u>	<u>(19,531)</u>	<u>1,453,226,532</u>
Business-type Activities Capital Assets, Net	<u>\$ 1,524,122,083</u>	<u>106,859,482</u>	<u>90,408,342</u>	<u>(66,031)</u>	<u>1,540,507,192</u>

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

Depreciation expense was charged to functions/programs as follows:

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

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

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

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

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

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

Interest incurred during the construction phase of capital assets of business-type activities is added to the cost of the underlying assets constructed and is amortized over the useful lives of the assets. During 2015, capitalized interest activity was as follows:

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

Lincoln Electric System utility plant includes an allowance for funds used during construction for projects costing in excess of \$500,000. The allowance for funds used during construction is based on LES' approximate weighted-average interest rate on the new money portion of the most current debt during the current period. The weighted-average rate for 2014 was 2.7%.

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

**(8) INTERFUND BALANCES AND ACTIVITY**

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

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

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

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

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

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

The \$160,648 variance for transfers on the Statement of Activities is caused by the different fiscal year end dates used by the City (August 31) and Lincoln Electric System (December 31). Lincoln Electric System records an estimate for payments of return on equity as an accrued liability at December 31. The City however, receives the payments before the August 31 fiscal year end, and records the total amount as a transfer in.

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

**(9) DEBT OBLIGATIONS**

**SHORT-TERM**

Established by City Ordinance, LES may borrow up to \$150 million under a commercial paper note program. At December 31, 2014, LES had \$95.5 million of tax-exempt commercial paper notes outstanding. The notes mature at various dates but not more than 270 days after the date of issuance. The weighted-average interest rate for the year ended December 31, 2014, was 0.09%. The outstanding commercial paper notes are secured by a revolving credit agreement, which provides for borrowings up to \$150 million. LES pays a commitment fee for the credit agreement. Under the terms of the agreement, LES can either settle or refinance the commercial paper upon maturity. LES uses commercial paper notes as part of their long-term financing strategy. As such, commercial paper is typically renewed as it matures. The weighted average length of maturity of commercial paper for 2014 was 67 days.

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

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

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

**LONG-TERM**

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

Net position of \$4,031,014, \$3,935,372, \$3,131,154, and \$1,950,809 is currently available in the debt service funds to service the General Obligation Bonds, Tax Supported Bonds, Tax Allocation Bonds, and Special Assessment Bonds, respectively. Revenue Bonds are funded partially from reserve accounts set up for debt repayment and partially from proceeds of daily operations.

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



CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

	Governmental Activities	Business-Type Activities
Land	\$ 1,774,450	\$ 210,000
Buildings	25,937,597	1,646,732
Improvements	593,409	-
Infrastructure	21,172,814	-
Machinery and Equipment	6,120,540	3,245,696
Construction in Progress	-	-
Less Accumulated Depreciation, (where applicable)	(12,508,879)	(2,724,854)
Total	<u>\$ 43,089,931</u>	<u>\$ 2,377,574</u>

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

In June 2013, LES issued \$75,525,000 of Revenue and Refunding Bonds, Series 2013, to advance refund \$53,710,000 of Revenue and Refunding Bonds, Series 2005 and redeem \$24,000,000 of outstanding commercial paper notes. The net proceeds of the refunding bonds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the portion of the Series 2005 bonds refunded was considered defeased and the liability for those bonds was removed from the financial statements. The advance refunding resulted in debt service savings of approximately \$36,605,000 and net present value savings of approximately \$12,726,000. At December 31, 2014, there are \$115.0 million of refunded Series 2005 bonds outstanding.

In April 2015, the City issued \$5,720,000 of general obligation storm sewer refunding bonds to advance refund \$6,340,000 of series 2005 bonds. The net proceeds of the refunding bonds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the portion of the series 2005 bonds refunded are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding resulted in a cash flow differential of \$1,184,897, and a net present value savings of \$653,236.

In April 2015, the Lincoln Wastewater System issued \$12,220,000 of refunding bonds to advance refund \$13,320,000 of series 2005 bonds. The net proceeds of the refunding bonds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the portion of the series 2005 bonds refunded are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding reduced total debt service payments over the next 15 years by \$2,376,871 for an economic gain of \$1,304,075.

Lincoln Wastewater System has entered into a loan agreement with the Nebraska Department of Environmental Quality (NDEQ) consisting of three separate contracts. Under contract 317247 the Lincoln Wastewater System has borrowed \$4,808,792 to fund certain sewer system extension and sewer repairs. The System also borrowed \$5,000,000 under contract 317078 to fund certain treatment facilities projects. The interest rate throughout the term of the loan is 2.0%. The Wastewater System has also borrowed \$17,000,000 under contract 317830 to fund certain wastewater solids handling, trunk sewer, and selected facility replacement improvements. The interest rate throughout the term of the loan is 3.25%. All contracts are final as of the year ended August 31, 2015.

Lincoln Water System has entered into a \$15,000,000 loan agreement with NDEQ. This funding is available to fund certain water system extension and water repairs. The interest rate during the period of construction is 2%. After the date of initiation of operation, the interest rate will increase to 2.25%. In addition, an administrative fee of 1% will be incurred on the loan. During the year ended August 31, 2015, project costs were incurred totaling \$916,660, resulting in the recognition of a project loan payable of \$14,111,487, which is shown net of \$818,300 of principal repayments. The remaining available funds totaling \$70,213, are not reflected in the financial statements.

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

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

Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
<b>Governmental Activities:</b>							
General Obligation Bonds:							
General Bonds:							
\$ 8,295	06/27/07	Stormwater Drainage and Flood Mgmt	4.625 - 5.000	Serial 2008 to 2027	2017	Semiannually	\$ 5,860
8,200	02/10/11	Stormwater Bonds	2.000 - 4.500	Serial 2013 to 2030	2020	"	7,100
19,290	06/21/11	Refunding	0.200 - 5.000	Serial 2011 to 2022	2019	"	12,315
8,090	06/26/12	Refunding	1.000 - 3.000	Serial 2013 to 2023	---	"	5,255
6,385	03/20/13	Stormwater Bonds	2.000 - 4.000	Serial 2014 to 2029	2023	"	6,035
1,515	03/20/13	Stormwater Bonds	3.125	Term 2032	2023	"	1,515
5,720	04/15/15	Stormwater Refunding Bonds	1.000 - 5.000	Serial 2016 to 2025	---	"	5,720
Total General Bonds							<u>\$ 43,800</u>
Tax Allocation Bonds:							
\$ 5,500	04/21/04	Tax Allocation Bonds	3.000 - 4.800	Serial 2004 to 2015	2010	Semiannually	\$ 875
365	08/15/05	Tax Allocation Bonds	4.750	Serial 2006 to 2018	Anytime	"	91
288	10/01/06	Tax Allocation Bonds	5.100	Serial 2008 to 2016	Anytime	"	52
2,205	04/05/07	Tax Allocation Bonds	5.000 - 5.550	Serial 2009 to 2018	2012	"	1,020
601	06/01/07	Tax Allocation Bonds	5.240	Serial 2008 to 2018	Anytime	"	492
42	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2021	Anytime	"	24
71	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2017	Anytime	"	42
474	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2022	Anytime	"	109
547	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	324
200	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	115
611	06/30/09	Tax Allocation Bonds	7.000	Serial 2011 to 2023	Anytime	"	511
3,375	07/28/09	Tax Allocation Bonds	2.500 - 6.400	Serial 2011 to 2023	Anytime	"	2,540
263	04/01/11	Tax Allocation Bonds	3.990	Serial 2011 to 2022	Anytime	"	182
103	04/15/13	Tax Allocation Bonds	2.370	Serial 2013 to 2025	Anytime	"	84
Total Tax Allocation Bonds							<u>\$ 6,461</u>
Tax Supported Bonds:							
\$ 27,000	12/05/06	Highway Allocation Fund	4.000 - 5.000	Serial 2008 to 2027	2016	Semiannually	\$ 18,655
28,095	06/06/12	Highway Allocation Fund Refunding	1.000 - 5.000	Serial 2012 to 2023	---	"	23,045
16,515	07/23/13	Limited Tax Arena Bonds	2.000 - 4.500	Serial 2016 to 2031	2023	"	16,515
2,635	07/23/13	Limited Tax Arena Bonds	2.000 - 4.500	Term 2035	2023	"	2,635
5,850	07/23/13	Limited Tax Arena Bonds	2.000 - 4.500	Term 2037	2023	"	5,850
Total Tax Supported Bonds							<u>\$ 66,700</u>
Special Assessment Bonds:							
\$ 825	08/18/11	Special Assessment	0.400 - 3.700	Serial 2012 to 2026	2016	Semiannually	\$ 625
375	08/18/11	Special Assessment	4.200	Term 2031	2016	"	375
3,000	11/23/11	Special Assessment	2.000 - 3.500	Serial 2012 to 2031	2021	"	2,490
Total Special Assessment Bonds							<u>\$ 3,490</u>
West Haymarket Joint Public Agency							
\$ 31,515	09/08/10	Facility Bonds Taxable Build America Bonds	3.500 - 4.450	Serial 2020 to 2030	Anytime	Semiannually	\$ 31,515
68,485	09/08/10	Facility Bonds Taxable Build America Bonds	4.750 / 5.000	Term 2035 & 2045	Anytime	"	68,485
15,785	12/01/10	Facility Bonds Taxable Build America Bonds	4.000 - 5.000	Serial 2020 to 2025	Anytime	"	15,785
52,180	12/01/10	Facility Bonds Taxable Build America Bonds	5.400 / 5.800 / 6.000	Term 2030 2035 2039	Anytime	"	52,180
32,035	12/01/10	Recovery Zone Economic Development	6.750	Term 2045	Anytime	"	32,035
44,290	08/24/11	Facility Bonds	3.500 - 5.000	Serial 2021 to 2032	2021	"	44,290
55,710	08/24/11	Facility Bonds	4.250 / 5.000	Term 2036 & 2042	2021	"	55,710
20,850	12/04/13	Facility Bonds	2.000 - 5.000	Serial 2014 to 2038	2023	"	20,310
7,325	12/04/13	Facility Bonds	4.500	Term 2043	2023	"	7,325
Total West Haymarket Joint Public Agency							<u>\$ 327,635</u>
TOTAL GENERAL OBLIGATION BONDS							<u>\$ 448,086</u>
Tax Supported Bonds:							
\$ 11,080	3/13/02	Antelope Valley Project	1.500 - 5.000	Serial 2002 to 2016	2012	Semiannually	<u>\$ 2,875</u>



CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

Amount	Issued	Issue	Rate	When Due	Callable	Date	Outstanding
<b>Business-Type Activities:</b>							
<b>Revenue Bonds:</b>							
\$ 16,710	04/18/07	Wastewater Revenue	4.000 - 4.500	Serial 2008 to 2029	2017	Semiannually	\$ 12,340
3,750	04/18/07	Wastewater Revenue	4.375	Term 2032	2017	"	3,750
38,290	05/24/12	Wastewater Revenue Refunding	1.000 - 5.000	Serial 2013 to 2028	2023	"	32,205
12,220	04/09/15	Wastewater Revenue Refunding	1.000 - 4.000	Serial 2016 to 2030	2025	"	12,220
Total Wastewater Bonds							<u>\$ 60,515</u>
\$ 10,515	08/04/09	Water Revenue	2.000 - 4.125	Serial 2013 to 2029	2019	Semiannually	\$ 9,085
4,905	08/04/09	Water Revenue	4.500	Term 2034	2019	"	4,905
10,895	06/21/12	Water Revenue Refunding	1.000 - 4.000	Serial 2013 to 2022	---	"	7,820
28,595	05/30/13	Water Revenue Refunding	1.000 - 5.000	Serial 2014 to 2025	2023	"	23,855
Total Water Bonds							<u>\$ 45,665</u>
\$ 7,745	01/27/11	Parking Revenue and Refunding	2.000 - 5.000	Serial 2015 to 2024	2021	Semiannually	\$ 7,200
10,775	01/27/11	Parking Revenue and Refunding	5.000 / 5.125 / 5.500	Term 2026 & 2031	2021	"	10,775
9,315	11/29/12	Parking Revenue and Refunding	0.400 - 4.000	Serial 2013 to 2027	2022	"	7,205
2,765	11/29/12	Parking Revenue and Refunding	3.000	Term 2032	2022	"	2,765
Total Parking Bonds							<u>\$ 27,945</u>
\$ 8,340	02/26/13	Solid Waste Management Revenue and Refunding	0.250 - 4.000	Serial 2013 to 2029	2023	Semiannually	\$ 6,765
5,520	07/08/15	Solid Waste Management Revenue	2.000 - 5.000	Serial 2016 to 2035	2025	"	5,520
							<u>\$ 12,285</u>
\$ 93,045	10/01/03	Electric Revenue and Refunding Bonds	3.000 - 5.000	Serial 2004 to 2026	2013	Semiannually	\$ 2,930
183,230	05/15/07	Electric Revenue and Refunding Bonds	4.000 - 5.000	Serial 2009 to 2035	2016	"	159,555
81,850	05/15/07	Electric Revenue and Refunding Bonds	4.500 / 4.750	Term 2034 & 2037	2016	"	81,850
247,150	08/15/12	Electric Revenue and Refunding Bonds	1.000 - 5.000	Serial 2013 to 2032	2022	"	222,355
30,165	08/15/12	Electric Revenue and Refunding Bonds	3.625 - 5.000	Term 2037	2022	"	30,165
75,525	06/20/13	Electric Revenue and Refunding Bonds	2.700 - 5.000	Serial 2021 to 2025	2023	"	75,525
Total Electric Bonds							<u>\$ 572,380</u>
TOTAL REVENUE BONDS							<u>\$ 718,790</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
2016	\$ 11,395	20,593	855	122	6,219	1,124
2017	10,525	20,234	2,020	51	4,890	972
2018	10,747	19,883	-	-	4,235	845
2019	10,554	19,510	-	-	3,967	737
2020	10,610	19,135	-	-	3,657	636
2021 - 2025	83,264	86,428	-	-	14,840	1,687
2026 - 2030	70,046	69,772	-	-	3,028	142
2031 - 2035	71,980	54,033	-	-	153	3
2036 - 2040	79,750	35,421	-	-	-	-
2041 - 2045	77,505	13,375	-	-	-	-
2046	11,710	344	-	-	-	-
Total	<u>\$ 448,086</u>	<u>358,728</u>	<u>2,875</u>	<u>173</u>	<u>40,989</u>	<u>6,146</u>

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

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

Fiscal Year Ended August 31	Major Enterprise Funds					
	Wastewater System		Water System		Electric System	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 4,562	2,690	4,307	2,101	22,050	25,382
2017	4,762	2,470	4,375	2,022	23,800	24,398
2018	4,840	2,371	4,490	1,878	24,990	23,208
2019	4,918	2,265	4,614	1,731	26,240	21,958
2020	5,027	2,151	4,775	1,556	27,550	20,646
2021 - 2025	27,483	8,271	21,621	5,174	158,170	82,816
2026 - 2030	25,302	3,297	8,223	2,361	114,620	51,335
2031 - 2035	6,628	338	7,372	685	95,480	28,704
2036 - 2038	-	-	-	-	79,480	8,238
Total	\$ 83,522	23,853	59,777	17,508	572,380	286,685

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

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

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

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

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

**DEVELOPER PURCHASED TAX INCREMENT FINANCING NOTES AND BONDS**

At August 31, 2015, \$35,711,987 of developer purchased tax increment financing notes and bonds were outstanding. Developer purchased tax increment financing allows the City to create special districts to enable public/private improvements within those districts that will generate public/private-sector development. For a period of 15 years, the tax base is frozen at the predevelopment level, and taxes generated from the incremental increases in assessed value are remitted to the developer. The agreements between the City and developer expressly limit the City's commitment for debt repayment to the

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

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

**CONDUIT DEBT**

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

The Bonds are limited obligations of the City and are payable solely from payments to be made by NWU pursuant to a loan agreement dated January 1, 2012, by and between the City and NWU. The Bonds shall not be a charge against the City's general credit or taxing powers. The Bonds shall never constitute an indebtedness of the City within the meaning of any constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the City, thus these bonds are not reflected in the City's financial statements. At August 31, 2015, \$17,600,000 of these bonds remain outstanding.

**(10) RECONCILIATION OF BUDGET BASIS TO GAAP**

Amounts presented on a non-GAAP budget basis of accounting differ from those presented in accordance with GAAP due to the treatment afforded accruals, encumbrances, funds for which budget and reporting structures differ, and funds for which legally adopted annual budgets are not established. A reconciliation for the year ended August 31, 2015, which discloses the nature and amount of the adjustments necessary to convert the actual GAAP data to the budgetary basis, is presented below:

	<u>General Fund</u>	<u>Street Construction Fund</u>
Net Change in Fund Balances:		
Balance on a GAAP basis	\$ 4,052,390	(5,442,601)
Basis differences (accruals) occur because the cash basis of accounting used for budgeting differs from the modified accrual basis of accounting prescribed for governmental funds.	(1,397,627)	(544,896)
Perspective differences occur when the structure used for budgeting differs from the fund structure used for financial reporting.	(1,086,266)	-
Amount budgeted on a project basis.	-	34,125,058
Balance on a budget basis	<u>\$ 1,568,497</u>	<u>28,137,561</u>

**(11) DEFICIT NET POSITION**

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

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

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

**(12) EXCESSES OF EXPENDITURES OVER APPROPRIATIONS**

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

General Fund	
Traffic Engineering	\$ 119,827
Street Lighting	1,751,837
Debt Service	78,950

**(13) EMPLOYEES' RETIREMENT PLANS**

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

**POLICE AND FIRE PENSION**

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

Summary of Benefit Provisions -

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

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

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

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

*Normal Retirement Age* – Plan A: Age 50

Plans B and C: Age 53

*Normal Retirement* – Plan A: Normal retirement age and 25 years of service.

Plans B and C: Normal retirement age and 21 years of service.

*Amount of Pension* –

Plan A: 2.56% of regular pay times years of service to a maximum of 64% or regular pay.

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

Plan B: 58% of regular pay with 21 years of service, plus 2% of regular pay for each year of service rendered after becoming eligible for retirement to a maximum increase of 10%.

Plan C: 54% of regular pay with 21 years of service, plus 2% of regular pay for each year of service rendered after becoming eligible for retirement to a maximum increase of 10%.

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

Amount of Pension –

Plan A: 2.56% of regular pay times years of service up to a maximum of 64% of regular pay.

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

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

Amount of Pension –

Plan A: 2.56% of regular pay times years of service.

Plan B: 58% of regular pay with 21 years of service. Members with less than 21 years of service receive a ratio of years of service to 21 years of 58% of regular pay.

Plan C: 54% of regular pay with 21 years of service. Members with less than 21 years of service receive a ratio of years of service to 21 years of 54% of regular pay.

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

Amount of Pension –

Plan A: 58% of regular pay.

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

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

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

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

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

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

Amount of Pension –

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

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

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

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

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

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

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

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



CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

*Employee Contributions* - Plan A: 8.0% of pay  
Plan B: 7.6% of pay  
Plan C: 7.0% of pay

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

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

Reserves – Per City Ordinance, lump sum COLA payments are to be paid from an accounting pool which is funded by the interest differential between the pension fund's earned rate of interest and the actuarially assumed rate of interest, multiplied by a ratio of the retirant and beneficiary liability over the total liability of the fund. All such annual additions to the pool plus regular interest earned and applicable to the amounts allocated to the accounting pool shall constitute the pool of funds from which the COLA payments are to be paid. The market value of the COLA Pool as of August 31, 2015 is \$27,167,188.

Deferred Retirement Option Plan (DROP) - The City has established DROP for police and fire pension members. The DROP program allows a member to retire for pension purposes, but to continue working. The member receives a paycheck and the member's monthly pension benefit is deposited into the member's DROP account. At the end of five years, or anytime before five years, the member must "retire-in-fact". Contributions to the pension are eliminated at the beginning of the DROP period. Pension benefits are set, and will not be increased because of raises, promotions, increased years of service or pension enhancements. When a member retires-in-fact, their monthly pension benefit will be paid directly to them and the member will have access to the funds in their DROP account. The balance held by the third party DROP administrator at August 31, 2015 is \$5,576,567.

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

Retirees and beneficiaries receiving benefits	486
Terminated plan members entitled to but not yet receiving benefits	28
Active plan members (non-DROP)	576
DROP members	42
Total	<u>1,132</u>
Number of participating employers	<u>1</u>

Funding Policy – The contribution requirements of plan members and the City are established by City Ordinance and may be amended by the City Council. Plan members are required to contribute between 7% and 8% of their annual covered salary based on an election made by the employee. It is recommended that the City contribute an actuarially determined amount; the contribution amount for fiscal year 2015 was \$8,418,199. For the fiscal year ended August 31, 2015, the Plan received \$8,045,293 in employer contributions.

Actuarial Methods and Assumptions – The annual required contribution for the current year was determined as part of the August 31, 2013, actuarial valuation using the entry age actuarial funding method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 4.25 to 8.25% per year, including wage inflation at 4.25%, and (c) the assumption that benefits will not increase after retirement. The actuarial value of assets was determined using a five year smoothed market method. The unfunded actuarial accrued liability is being amortized as a level percentage of payrolls on an open basis over a period of thirty years.

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

Net Pension Liability

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

Total pension liability	\$ 261,733,723
Plan fiduciary net position	<u>(203,995,271)</u>
Net pension liability	<u>\$ 57,738,452</u>

Plan fiduciary net position as a percentage of the total pension liability	77.94%
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The total pension liability was determined by an actuarial valuation using the entry age normal cost method and calculated based on the discount rate and actuarial assumptions below.

Valuation date	August 31, 2015
Measurement date	August 31, 2015

Assumptions

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

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

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

Discount Rate

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

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Projected future benefit payments for all current pension members were projected through 2114.



CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

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

Best estimate of arithmetic real rate of return for each major asset class included in the pension plan's target asset allocation as of August 31, 2015, are summarized in the following table:

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

\* Arithmetic mean, net of investment expense.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of City of Lincoln, calculated using the discount rate of 7.50%, as well as what the City of Lincoln's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate.

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
Net pension liability	\$ 89,779,732	57,738,452	30,804,637

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

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

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

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

Changes in the Net Pension Liability

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

Deferred Outflows and Inflows of Resources

Deferred Outflows of Resources As of August 31				
	2014	Additions	Recognition	2015
Differences between expected and actual experience	\$ -	7,390,055	1,129,978	6,260,077
Differences between projected and actual earnings	-	20,127,866	4,025,573	16,102,293
Change in EMS' proportion of the collective net pension liability since the prior measurement date	-	196,312	30,017	166,295
	\$ -	27,714,233	5,185,568	22,528,665

Deferred Inflows of Resources As of August 31				
	2014	Additions	Recognition	2015
Changes of assumptions	\$ -	23,499,491	3,593,194	19,906,297
Change in the City's proportion of the collective net pension liability since the prior measurement date	-	196,312	30,017	166,295
Total	\$ -	23,695,803	3,623,211	20,072,592

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

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

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

Pension Expense

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

Pension Expense For the Fiscal Year Ended August 31, 2015	
Service cost at end of year	\$ 7,929,376
Interest on the total pension liability	17,507,641
Expensed portion of current-period difference between expected and actual experience in the total pension liability	1,129,978
Expensed portion of current-period assumption changes	(3,593,194)
Employee contributions	(2,604,101)
Projected earnings on plan investments	(14,284,311)
Expensed portion of current-period differences between projected and actual earnings on plan investments	4,025,573
Administrative expenses	444,578
Total Pension Expense	<u>\$ 10,555,540</u>

ELECTRIC SYSTEM

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

LES has a defined contribution retirement plan created in accordance with Internal Revenue Code Section 401(K) covering all employees upon employment. Effective December 1, 2014, LES made available to its participants a Roth 401(k) option. The plan assets are held, managed and administered by a custodian. The plan was established under the authority of the administrative board and contributions are also established by the administrative board. LES' contribution is equal to 200% of the employees' contributions, up to 5% of gross wages for employees hired prior to 1/1/11. For employees hired after 1/1/11, LES' contribution is equal to 100% of employee's contributions up to 10% of gross wages. Vesting of LES contributions occurs over a three-year period. Employee forfeitures are used to reduce employer contributions. For the year ended December 31, 2014, LES incurred contribution expense of approximately \$3,822,000 or 9.65% of covered payroll and its employees contributed approximately \$2,748,000 or 6.94% of covered payroll.

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

DEPARTMENT DIRECTORS

Directors of City departments are eligible the first of the month following the date employed to be covered by the Director's Money Purchase Plan, established by City Ordinance, and administered by an insurance company. The Plan is a defined contribution plan requiring contributions determined by the employees' date of hire. The City contributes 6% to 12% and the employee contributes 0% to 6% of earned income in one calendar year. Employees covered by the Plan may also make voluntary contributions. Participant accounts are immediately 100% vested. Total and covered payroll for the year ended December 31, 2014, was \$1,827,339. City contributions totaled \$196,885 or 10.77% of covered payroll and employee contributions totaled \$17,306 or .95% of covered payroll. There were no voluntary employee contributions made for the year ended December 31, 2014.

ALL OTHER CITY EMPLOYEES

All other City employees are eligible after 6 months' service and age 19 to be covered under the City's Money Purchase Pension Plan, established by City Ordinance, and administered by an insurance company. Enrollment in the program is mandatory at age 40 with 5 years service. Vesting occurs in increments between 3 and 7 years of enrollment in the plan. The Plan is a defined contribution plan requiring employees to contribute at a rate determined by the employees' bargaining unit and date of hire. The City contributes between \$1.29 and \$2.00 for every \$1.00 contributed by employees. Employee forfeitures are used to reduce employer contributions. Employees covered by the Plan may also make voluntary contributions. During the year ended December 31, 2014, total payroll was approximately \$81,855,000 and covered payroll was approximately \$71,264,000. The City incurred contribution expense totaling \$7,875,748, which included a reduction in expense of \$214,588 for employee forfeitures. Employer contributions were 11.05% of covered payroll and employee contributions totaled \$4,178,088 or 5.86% of covered payroll. Employees made \$138,832 in voluntary contributions for the year ended December 31, 2014.

**(14) OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

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

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

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

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

The net OPEB obligation as of August 31, 2015, was calculated as follows:  
(Dollar amounts in thousands)

Annual required contribution	\$ 2,283
Interest on net OPEB obligation	455
Adjustment to annual required contribution	(594)
Annual OPEB cost	2,144
Contributions made	(619)
Increase in net OPEB obligation	1,525
Net OPEB obligation-beginning	10,112
Net OPEB obligation-ending	<u>\$ 11,637</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
2015	\$ 2,144,000	28.9 %	\$ 11,637,000
2014	2,142,000	28.9	10,112,000
2013	3,011,000	23.4	8,589,000

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

PEHP – Defined Contribution Plan

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

Terms for eligibility and contribution rates are specified in the City's various collective bargaining agreements. Individual employee accounts consist of employer contributions, investment returns and any forfeiture allocations. Current employer contributions range from \$18-\$50 per pay period based on union contracts. Current year contributions totaled approximately \$1,264,000.

Long-Term Disability Plan

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

**(15) PROPERTY TAXES**

The Home Rule Charter of the City imposes a tax ceiling for general revenue purposes. The City tax ceiling was established by using the September 1, 1966, City dollar tax limit as an initial tax limit, and increasing that tax limit each year following 1966 by 7% so that in each fiscal year thereafter the amount of the City tax limit shall be the amount of the City tax limit for the previous year plus 7% thereof. In addition, the City has the power to levy taxes each year sufficient to pay any judgment existing against the City, the interest on bonded debt, and the principal on bonded debt maturing during the fiscal year or within 6 months thereafter, as well as taxes authorized by state law. The 2014 tax levy, for the 2014-2015 fiscal year, was \$127,141,801 below the legal limit, with a tax rate per \$100 valuation of \$0.3196. The assessed value upon which the 2014 levy was based was \$17,380,126,373.

The tax levies for all political subdivisions in Lancaster County are certified by the County Board on or before October 15th. Real estate taxes are due on December 31st and attach as an enforceable lien on property on January 1st following the levy date and become delinquent in two equal installments on April 1st and August 1st. Personal property taxes are due December 31st and become delinquent on April 1st and August 1st following the levy date. Delinquent taxes bear 14% interest.

Within the government-wide financial statements, property taxes are recognized as revenue in the year for which they are levied. Property taxes levied for 2014-2015 are recorded as revenue in the fund financial statements when expected to be collected within 60 days after August 31, 2015. Prior-year levies were recorded using these same principles, and remaining receivables are re-evaluated annually. Property taxes expected to be collected after 60 days are recorded as unavailable revenue on the fund balance sheets.

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

**(16) RISK MANAGEMENT**

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

For the year ended August 31, 2015, the City had a self-insured retention for workers' compensation exposures up to \$800,000 per individual; law enforcement liability, general liability, public officials liability, public transportation liability, medical professional liability, and auto liability exposures up to



CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

\$250,000 per occurrence; building and contents property exposures up to \$75,000 per occurrence; health care benefits with \$150,000 claim specific stop loss; self-insured dental benefits; and self-insured employee long-term disability benefits.

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

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

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

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

The City funds its self-insurance program on an "incurred loss" basis. The governmental and proprietary funds pay annual premium amounts, based on past experience of incurred losses, to the Insurance Revolving Fund. Claim liabilities of \$11,051,105 were recorded at August 31, 2015, which do not include claims relating to Lincoln Electric System's self-funded health and dental insurance programs. Excluding medical care claims approximating \$2,654,000, the remaining liability is the actuarially estimated amount of claims based on an estimate of ultimate incurred and incurred but not reported losses as of that date and is calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs, and other economic and social factors. The claims liability estimate also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of their allocation to specific claims. These liabilities have been discounted using a .45% discount rate. The City has purchased no annuity contracts in the current fiscal year to resolve City of Lincoln claims.

The following is a summary of the changes in the estimated claims liability for the years ended August 31, 2015 and 2014:

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

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

LINCOLN ELECTRIC SYSTEM

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

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

As required by state statute, LES maintains an incurred but not reported claims reserve which is actuarially determined, the balance of which was \$496,000 and \$459,000 at December 31, 2014 and 2013, respectively. LES established two separate bank accounts for the self-funded employee health and dental insurance plan reserve to ensure compliance with statutory requirements. Although not required by the statute, LES maintains excess insurance that limits the total claims liability for each plan year to not more than 125% of the expected claims liability, up to an annual aggregate maximum of \$1,000,000.

**(17) COMMITMENTS AND CONTINGENCIES**

GENERAL

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

At August 31, 2015, approximately 96% of the full-time, regular City's employees are represented by a Union. Most existing union contracts expire in August 2016. All future labor contracts involving City employees will be negotiated to cover, at a minimum, a two-year period coinciding with the new biennial budget process.

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

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

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

STREET CONSTRUCTION PROJECTS

The City's Street Construction Fund has commitments under major construction contracts in progress of approximately \$22,700,000 as of August 31, 2015, which will be financed primarily through highway user fees, bond proceeds, federal and state grants, and developer contributions.



CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

WEST HAYMARKET JOINT PUBLIC AGENCY

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

LINCOLN WASTEWATER SYSTEM

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

LINCOLN WATER SYSTEM

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

LINCOLN ELECTRIC SYSTEM

LES has participating interests in the output of two existing NPPD power plants, a thirty percent (65 MW) and eight percent (109 MW) entitlement to the output of the Sheldon Station Power Plant (nominally rated 215 MW coal plant) and Gerald Gentleman Station Power Plant (nominally rated 1,365 MW coal plant), respectively.

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

The participation contracts continue until the facilities are removed from commercial operation or the final maturity occurs on the related debt incurred by NPPD to finance the facilities, whichever occurs last. The estimated fixed cost payments to NPPD under these contracts, including capital additions and improvements, debt service payments and fixed costs, and credits, aggregate approximately \$16,300,000, \$16,700,000, \$17,100,000, \$17,400,000, and \$17,800,000, respectively, in each of the five years subsequent to December 31, 2014.

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

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

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

**(18) LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

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

At August 31, 2015, the City had incurred a liability of approximately \$12,553,000 for the municipal solid waste landfill which represents the amount of costs reported to date based on the approximately 57% of landfill capacity used to date. The remaining estimated liability for these costs is approximately \$9.6 million, which will be recognized as the remaining capacity is used (estimated to be approximately 19 years).

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

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

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

The City of Lincoln also owns a solid waste disposal area that discontinued operations in 1990. Although exempt from the U.S. Environmental Protection Agency *Solid Waste Disposal Facility Criteria* issued October 9, 1991, the City must still adhere to certain closure and postclosure care requirements under prior legislation, including the construction of final cover, monitoring of ground water conditions and landfill gas migration, and general site maintenance. At August 31, 2015, a liability for closure and postclosure care costs is recorded in the amount of approximately \$4,178,000, which is based on appropriations identified in the City's capital improvement projects budgeting process. If any unanticipated corrective action costs related to landfill gas migration or groundwater contamination are identified through current monitoring procedures, then an additional accrued liability will be recorded once these costs can be reasonably estimated.

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

**(19) SEGMENT INFORMATION**

The City has issued revenue bonds and other debt instruments to finance capital construction and acquisitions for both the Urban Development and Public Works/Utilities Departments. The Parking Facilities Division of the Urban Development Department operates the City's downtown parking garages and is accounted for in the Parking System Fund. The Solid Waste Operations Section of the Public Works/Utilities Department operates the City's solid waste disposal sites, yard waste composting facility, and re-cycling drop-off program. Summary financial information for these divisions as of and for the year ended August 31, 2015, is presented as follows:

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

**(20) PLEDGED REVENUES**

The City has pledged future revenues derived from the operation of the Lincoln Wastewater System, net of operating and maintenance expenses, to repay all outstanding wastewater revenue bonds and loans. Proceeds provided financing for improvements to the sanitary sewer system, as well as refunding prior year debt. The debt is payable solely from the net earnings of the Wastewater System and is payable through 2034. The total principal and interest remaining to be paid on the debt is \$107,374,485, with annual payments expected to require 47% of net revenues. Principal and interest paid for the current year and net system revenues were \$6,861,802 and \$14,485,305, respectively.

The City has pledged future revenues derived from the operation of the Lincoln Water System, net of operating and maintenance expenses, to repay all outstanding water revenue bonds and loans. Proceeds from the debt provided financing for improvements to the water supply system, as well as refunding prior water revenue bonds. The bonds are payable solely from the net earnings of the Water System and are payable through 2034. The total principal and interest remaining to be paid on the debt is \$77,284,078, with annual payments expected to require 37% of net revenues. Principal and interest paid for the current year and net system revenues were \$6,406,562 and \$17,526,817, respectively.

The City has pledged future revenues derived from the operation of the Lincoln Electric System, net of operating and maintenance expenses, to repay all outstanding electric revenue bonds. Proceeds from the bonds provided financing for construction of additional utility plant, as well as refunding certain issues of electric revenue bonds. The bonds are payable solely from the net earnings of the Electric System and are payable through 2037. The total principal and interest remaining to be paid on the bonds is \$859,065,000, with annual payments expected to require 50% of net revenues. Principal and interest paid for the current year and net system revenues were \$47,431,000 and \$94,860,000, respectively.

The City has pledged future revenues derived from the operation of the Lincoln Parking System, net of operating and maintenance expenses, and amounts, if any, distributed by the State for street purposes to repay all outstanding parking revenue bonds. Proceeds from the bonds provided financing for construction and improvements to the parking system, as well as refunding prior revenue bonds. The bonds are payable solely from the net earnings of the Parking System and are payable through 2032. The total principal and interest remaining to be paid on the bonds is \$39,629,054, with annual payments expected to require 45% of net revenues. Principal and interest paid for the current year and net system revenues were \$2,408,265 and \$5,841,915, respectively.

The City has pledged future revenues derived from the operation of the municipally owned solid waste management facilities, net of operating and maintenance expenses, to repay outstanding solid waste management revenue bonds. Proceeds from the bonds provided financing for improvements to the solid waste facilities and to refund prior revenue bonds. The bonds are payable solely from the net earnings of the Solid Waste System and are payable through 2035. The total principal and interest remaining to be paid on the bonds is \$16,102,987, with annual payments expected to require 40% of net revenues. Principal and interest paid for the current year and net system revenues were \$746,202 and \$2,555,018 respectively.

**(21) PUBLIC BUILDING COMMISSION**

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

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

As of August 31, 2015, the Commission has debt outstanding of \$29,100,846. Bond and note proceeds have been utilized by the Commission to acquire, construct, and/or renovate certain buildings occupied by the City and County. The City's proportionate share of these buildings has been recorded in capital assets in accordance with the terms of the joint venture agreement regarding the ultimate transfer of assets to the City and County.

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

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

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

**(22) JOINT ANTELOPE VALLEY AUTHORITY**

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

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

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

For the year ended August 31, 2015, total assets of JAVA are approximately \$200 million. The City's equity interest in the Project is approximately \$166 million.

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

**(23) JOINTLY OWNED FACILITIES**

Laramie River Station (LRS)

LES is a 12.76% co-owner of the Missouri Basin Power Project; that includes LRS, a three-unit, 1,710 MW coal-fired generating station in eastern Wyoming and a related transmission system. LES has sold approximately 13% of its ownership in LRS to Municipal Energy Agency of Nebraska (MEAN). Costs, net of accumulated depreciation, and excluding costs allocated to MEAN for its ownership share, associated with LRS of approximately \$20.1 million are reflected in utility plant at December 31, 2014.

LRS has certain postretirement obligations, which have not yet been billed to the owners, as these costs are not due and payable. Thus, LES has not reflected these costs in its financial statements. As a co-owner of LRS, LES' allocation of these postretirement obligations was \$1.2 million at December 31, 2014.

LES has a participation power sales agreement with the County of Los Alamos, New Mexico (the County) whereby the County purchases from LES 10 MW of LES's capacity interest in LRS. The agreement provides for the County to pay LES monthly fixed payments for the repayment of debt service. The amount is subject to change each July 1 based on debt costs of LES relative to the current market rates, until termination of the agreement. The agreement remains in effect until either the final maturity occurs on any LRS related debt or LRS is removed from commercial operation. During 2014, LES billed the County approximately \$3.4 million for demand and energy charges.

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

Walter Scott Energy Center (WSEC4)

MidAmerican Energy's Walter Scott Energy Center includes four coal-fired units. LES maintains ownership interest in 12.66% or 103 MW of Unit #4. In order to minimize unit outage risk, LES has executed a power purchase and sales agreement with MidAmerican Energy to exchange capacity and energy from LES' Unit #4 ownership with capacity and energy from Unit #3. Under this agreement, beginning in 2009, LES will schedule 50 MW of capacity and energy from Unit #3 and 53 MW of capacity and energy from Unit #4. This twenty year unit agreement can be extended through mutual agreement of the parties. LES is responsible for the operation and maintenance expense and maintains a fuel inventory at the plant site. LES issued debt in conjunction with the construction of Unit #4 and has capitalized these costs plus interest. Costs, net of accumulated depreciation, associated with WSEC4 of approximately \$142 million are reflected in utility plant at December 31, 2014.

**(24) JOINTLY GOVERNED ORGANIZATIONS**

District Energy Corporation

The District Energy Corporation (DEC) was formed in 1989 by the City of Lincoln and Lancaster County to own, operate, maintain, and finance the heating and cooling facilities utilized by certain city, county, and state buildings. The Board of Directors of DEC is comprised of five members: two appointed by the Lancaster County Board of Commissioners, two by the Mayor of Lincoln who must be confirmed by the City Council, and one by LES. No participant has any obligation, entitlement, or residual interest.



CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2015

The DEC Board of Directors, under a management agreement, has appointed LES to supervise and manage the system and business affairs of DEC. LES is reimbursed for these management services based on the allocated actual costs of these services. LES also provides electric energy to DEC on an established rate schedule. The total amount of payments to LES for management, operations, and maintenance services was approximately \$906,000 in 2014. The total amount of payments to LES for energy was approximately \$555,000 in 2014.

Nebraska Utility Corporation

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

Operations commenced in January 2002. The NUCorp board of directors, under a twenty-year management agreement, appointed LES to supervise and manage the system and business affairs of NUCorp. LES is reimbursed for these management services based on the allocated actual costs of these services. LES also provides electric energy to NUCorp on an established rate schedule. The total payment to LES for management services was approximately \$87,000 in 2014. The total amount of payments to LES for energy was approximately \$9.6 million in 2014.

**(25) SUBSEQUENT EVENTS**

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

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



**CITY OF LINCOLN, NEBRASKA**  
**Required Supplementary Information**  
**August 31, 2015**

**Schedule of Changes in the Police and Fire Pension (PFP) Net Pension Liability**  
**and Related Ratios**  
For the Fiscal Year Ended August 31

	2015	2014
<b>Total Pension Liability</b>		
Service cost	\$ 7,929,376	\$ 7,289,994
Interest	17,507,641	16,897,591
Differences between expected and actual experience	7,390,055	736,647
Effect of assumption changes or inputs	(23,499,491)	22,725,982
Benefit payments, including refunds of member contributions	(13,708,805)	(13,430,163)
Net change in total pension liability	(4,381,224)	34,220,051
Total pension liability - beginning	266,114,947	231,894,896
Total pension liability - ending (a)	<u>\$ 261,733,723</u>	<u>\$ 266,114,947</u>
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 8,045,293	\$ 7,865,929
Contributions - employee	2,604,101	2,613,971
Net investment income	(5,843,555)	30,932,275
Benefit payments, including refunds of member contributions	(13,708,805)	(13,430,163)
Administrative expense	(444,578)	(407,146)
Net change in plan fiduciary net position	(9,347,544)	27,574,866
Plan fiduciary net position - beginning	213,342,815	185,767,949
Plan fiduciary net position - ending (b)	<u>\$ 203,995,271</u>	<u>\$ 213,342,815</u>
<b>PFP Net Pension Liability - Ending (a) - (b)</b>	<u>\$ 57,738,452</u>	<u>\$ 52,772,132</u>
Plan fiduciary net position as a percentage of the total pension liability	77.94%	80.17%
Covered-employee payroll	\$ 47,604,228	\$ 46,465,990
PFP net pension liability as a percentage of covered-employee payroll	121.29%	113.57%

Note to schedule:

Results for the other years within the last ten years are not available and will be developed prospectively from 2014. Information prior to 2015 was restated after a change in the actuarial firm providing services.

CITY OF LINCOLN, NEBRASKA  
Required Supplementary Information  
August 31, 2015

**Schedule of Employer Contributions for the Police and Fire Pension**  
For the Fiscal Year Ended August 31

	<u>2015</u>	<u>2014</u>
Actuarial determined employer contribution	\$ 8,418,199	\$ 7,377,763
Actual employer contributions	<u>8,045,293</u>	<u>7,865,929</u>
Annual contribution deficiency (excess)	<u>\$ 372,906</u>	<u>\$ (488,166)</u>
Covered-employee payroll - current	\$ 47,604,228	\$ 46,465,990
Actual contributions as a percentage of covered-employee payroll	16.90%	16.93%

Note to Schedule:

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

Valuation date: 8/31/2013 8/31/2012

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age Normal
Amortization method:	30 years, level percent, open
Remaining amortization period:	30 years
Asset valuation method:	5-year smoothed market
Inflation:	4.25%
Salary increases:	4.25% - 8.25%
Investment rate of return:	7.5%

CITY OF LINCOLN, NEBRASKA  
Required Supplementary Information  
August 31, 2015

**Schedule of Investment Returns for the Police and Fire Pension**

Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Annual money-weighted rate of return, net of investment expense	-3.52%	16.67%	12.42%	5.47%	12.64%	9.60%	-16.77%	-6.40%	14.05%	11.14%

**Schedule of Funding Progress for City OPEB**

(dollar amounts in thousands)

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



## **APPENDIX C**

### **DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS**

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

## **Definitions**

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

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

**“Architect”** means the architect selected by the City for the Project, or any other architect or engineer hired by the City with respect to the Project.

**“Authorized Representative”** means the Mayor or the 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, with respect to the Series 2016 Certificates, each April 1 and October 1 during the Lease Term, beginning October 1, 2016.

**“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 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 2010 Certificates, the Series 2012 Certificates, the Series 2016 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.

**“Communication Equipment”** means the new electronic communication equipment and related software acquired by the City.

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

**“Completion Date”** means the date of completion of the 2016 Project as that date shall be certified as provided in the Lease.

**“Construction Agreement”** means one of any agreements between the City and various parties, if any, providing for the acquisition, construction and installation of various portions of the Project.

**“Continuing 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.

**“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.

**“Costs of the Project”** means all reasonable or necessary expenses related or incidental to the acquisition, construction and installation of the Project, 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 the Project includes Costs of Issuance.

**“Declaration of Trust”** means the Original Declaration, 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.

**“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.

**“First Supplemental Declaration”** means the First Declaration of Trust Supplement, dated October 17, 2012, made by the Trustee.

**“First Supplemental Lease”** means the First Lease Purchase Agreement Supplement, dated October 17, 2012, between the Trustee and the City.

**“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.

**“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 Original Lease, as amended and supplemented from time to time in accordance with its terms.

**“Lease Revenue Fund”** means the Lease Revenue Fund so designated and 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 November 18, 2010 and ending on April 1, 2031, 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 counsel who is acceptable to the Trustee. The counsel may be an employee of or counsel to the City.

**“Original Declaration”** means the Declaration of Trust, dated November 18, 2010, executed and delivered by the Trustee, pursuant to which the Series 2010 Certificates were executed and delivered.

**“Original Lease”** means the Lease Purchase Agreement, dated November 18, 2010, between the Trustee, as lessor, and the City, as lessee, with respect to the 2010 Project.

**“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”** means collectively, the 2010 Project, the 2012 Project and the 2016 Project.

**“2010 Project”** means the Project Site, together with the remodeling, renovation, equipping and furnishing of the buildings and facilities thereon to the extent paid from the proceeds of the Series 2010 Certificates.

**“2012 Project”** means, collectively, (a) acquiring and installing certain Street Lights, (b) acquiring, installing and implementing the Communication Equipment and (c) remodeling, renovating, equipping and furnishing additional portions of the 2010 Project.

**“2016 Project”** means, collectively, (a) acquiring and installing certain Street Lights, (b) fire apparatus aerial trucks and new fire engines; (c) a fire station to replace the City’s existing Fire Station No. 11, which is currently located on land provided by the Lincoln Airport Authority; and (d) a new roof and HVAC systems for the 2010 Project.

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

**“Project Site”** means the Project Site described in the Lease.

**“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 Project.

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

**“Record Date”** means, with respect to the Series 2016 Certificates, the fifteenth day (whether or not a Business Day) prior to the applicable Basic Rent Payment Date.

**“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.

**“Second Supplemental Declaration”** means the Second Declaration of Trust Supplement, dated July 7, 2016, made by the Trustee.

**“Second Supplemental Lease”** means the Second Lease Purchase Agreement Supplement, dated July 7, 2016, between the Trustee and the City.

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

**“Series 2010 Certificates”** means the \$7,780,000 original principal amount of Series 2010B Certificates of Participation as defined in the Declaration of Trust.

**“Series 2012 Certificates”** means the \$10,000,000 aggregate principal amount Certificates of Participation, Series 2012, 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.

**“Series 2016 Certificates”** means the \$8,550,000 aggregate principal amount Certificates of Participation, Series 2016, 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.

**“Site Lease”** means the Site Lease dated November 18, 2010, between the City, as lessor and the Trustee, as lessee.

**“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.

**“Street Lights”** means the new street light poles and related equipment acquired from the proceeds of the Series 2012 Certificates or the Series 2016 Certificates, as applicable, to adequately light certain of the City’s streets.

**“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.

**“Tax 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.

**“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 2016 Certificates, provides the terms of the Series 2016 Certificates and provides for various Funds related to the Project 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, the Site Lease, 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 2010 Certificates, the Series 2012 Certificates, the Series 2016 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 Project, (b) improving, upgrading or modifying the Project, (c) additional improvements to the Project or the acquisition, purchase, construction or equipping of additions to or expansions of or remodeling or modification of the Project and (d) refunding any or all of the Certificates.

### **Establishment of Funds**

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

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

### **Application of Lease Revenues**

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

- (a) The Basic Rent shall be deposited to the Lease Revenue Fund.
- (b) Optional prepayments of the Principal Portion of Basic Rent in amounts equal to the applicable Prepayment Price, shall be deposited to the Lease Revenue Fund.
- (c) Payments of Supplemental Rent pursuant to the Lease shall be applied as provided in the Lease.

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

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

Payment shall be made from money in the Project Fund upon receipt by the Trustee of a requisition certificate therefor signed by an Authorized Representative of the City, and except for requisitions for Costs of Issuance, an architect, engineer or contractor (which architect, engineer or contractor will not be an employee of the City). The Completion Date of the 2016 Project and the payment of all Costs of the 2016 Project (other than Costs of the 2016 Project 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 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 Lease, any money then remaining in the Project Fund shall be transferred and deposited to the credit of the Lease Revenue Fund and shall be used to pay the Interest Portion and Principal Portion of 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 Tax 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 Tax 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, the Lease or the Site Lease**

The Declaration of Trust, the Lease and the Site 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, the Lease or the Site 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 Site Lease or 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, the Site Lease or the Lease, or in regard to matters or questions arising under the Declaration of Trust, the Site Lease 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 Project or the Trustee's interest in the Project 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 Project in accordance with 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 Project will be leased to and used by the City.

## **Lease Term**

The term of the Lease begins on November 18, 2010 and ends on April 1, 2031, 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 Project shall have been started or completed, or whether the Trustee's title to the Project or to any part thereof is defective or nonexistent, and notwithstanding any damage to, loss, theft or destruction of the Project 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 Project, 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 Project to be acquired, constructed or installed, any defects, malfunctions, breakdowns or infirmities in the Project or any accident, condemnation or unforeseen circumstances.

## **Payment for the Acquisition and Construction of the Project**

Costs and expenses of every nature incurred in the acquisition, construction or installation of the 2016 Project that qualify as Costs of the 2016 Project 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 except for requisitions for Costs of Issuance, the Architect 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 2016 Project was substantially completed, (b) that all other facilities necessary in connection with the 2016 Project have been purchased, constructed and installed, (c) that the 2016 Project and such other facilities have been purchased, constructed, 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 the 2016 Project described in accordance with clause (e), all Costs of the 2016 Project have been paid, and (e) the amounts, if any, to be retained in the Project Fund for the payment of Costs of the 2016 Project, if any, not yet due or Costs of the 2016 Project 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 the 2016 Project shall be transferred to the Lease Revenue Fund.

### **Enjoyment of the Project**

The Trustee shall provide the City during the Lease Term with quiet use and enjoyment of the Project, and the City shall during the Lease Term peaceably and quietly have, hold and enjoy the Project, without suit, trouble or hindrance from the Trustee, except as expressly set forth in the Lease. The City shall have the right to use the Project 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 Tax 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 Project, (b) improving, upgrading or modifying the Project, (c) additional improvements to the Project or the acquisition of an additional Project Site to be included in the Project or the acquisition, purchase, construction or installation of additions to or expansions or remodeling or modification of the Project, 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 Project 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 Project or any part thereof.

### **Deficiency of Project Fund**

If the Project Fund shall be insufficient to pay fully all Costs of the Project and to complete fully the Project lien free, the City shall 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 shall become due. The Trustee is not obligated to pay and shall not be responsible for any such deficiency, and the City shall save the Trustee whole and harmless from any obligation to pay such deficiency. The City's obligation to pay any such deficiency will be limited to its current budgeted appropriations for the Project, and the City will have no obligation to appropriate additional funds therefore and may amend the Project to reduce or eliminate such deficiency.

### **Impositions**

The City will bear, pay and discharge, before the delinquency thereof, as Supplemental Rent, 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 Project, 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 Project (all of the foregoing being herein referred to as **"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 Project will be endangered or the Project 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 Project to be kept continuously insured against such risks customarily insured against for facilities such as the Project 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 Project 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. During acquisition, construction and installation of the Project, the City will cause to be provided, insofar as the Project is concerned, the insurance required by clause (b) below in lieu of the insurance required by this clause (a) to the extent appropriate.

(b) To the extent appropriate, during the acquisition, construction and installation of the Project and in lieu of the insurance required in clause (a) above, builder's risk-completed value insurance insuring the Project against fire, lightning and all other risks covered by the extended coverage endorsement then in use in the State to the full insurable value of the Project (subject to reasonable loss deductible clauses) issued by such insurance company or companies authorized to do business in the State as may be selected by the City. Such policy or policies of insurance will name the City and the Trustee as insureds, as their respective interests may appear, and all payments received under such policy or policies by the City will be paid over to the Trustee.

(c) 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.

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

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

## **Enforcement of Construction Agreement and Surety Bonds**

In the event of material default of any contractor or subcontractor under a Construction Agreement or any other contract made in connection with the acquisition, construction and installation of the Project, 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 Project in a safe condition, (b) with respect to the Project, 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 Project 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 Project 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 Project or itself commit a nuisance in connection with its use or occupancy of the Project. The City will pay all costs and expenses of operation of the Project.

The City may, also at its own expense, make from time to time any additions, modifications or improvements to the Project 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 Project. 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 Project.

During the Lease Term, the Project 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 Project during the Lease Term. If (a) the Project 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 Project 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 Project, unless the City has exercised its option to purchase the Trustee's interest in the Project by making payment of the Purchase Price as provided herein. Any balance of the Net Proceeds remaining after such work has been completed will be paid to the City and will be held and appropriated by the City for the exclusive purpose of paying Rent under the Lease.

If the City determines that the repair, restoration, modification or improvement of the Project is not economically feasible or in the best interest of the City, then, in lieu of making such repair,

restoration, modification or improvement and if permitted by law, the City will promptly purchase the Trustee's interest in the Project pursuant to the Lease by paying the Purchase Price. The Net Proceeds will be applied by the City to payment of the Purchase Price. Any balance of the Net Proceeds remaining after paying the Purchase Price will belong to the City.

### **Purchase Option**

The City will have the option to purchase the Trustee's interest in the 2016 Project, upon giving written notice to the Trustee at least 30 days before the date of purchase, at the following times and on the following terms:

(1) On or after April 1, 2026, upon payment in full of Rent Payments with respect to the 2016 Project then due hereunder plus a Purchase Price equal to 100% of the remaining Principal Portions of Basic Rent with respect to the 2016 Project for the Lease Term, plus Interest Portions of Basic Rent with respect to the 2016 Project accrued to the prepayment date.

(2) Upon deposit of moneys or Government Obligations or both with the Trustee in accordance with **Article X** of the Declaration of Trust in the amount necessary to provide for the Basic Rent Payments with respect to the 2016 Project until and on, and the Purchase Price calculated as described in above on the Series 2016 Certificates, to the prepayment date, which will be on or after April 1, 2026.

### **Partial Prepayment**

The City will have the option to prepay the Basic Rent Payments with respect to the Series 2016 Certificates in part, upon giving written notice to the Trustee at least 30 days before the date of such prepayment, at any time on or after April 1, 2026, at the Prepayment Price equal to the Principal Portion of Basic Rent being so prepaid plus the Interest Portion of Basic Rent accrued thereon to such Basic Rent Payment Date.

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

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

Except as expressly provided in the Lease, none of the City's right, title and interest in, to and under the Site Lease, the Lease and in the Project may be assigned or encumbered by the City for any reason; except that the City may sublease any one or more parts of the Project 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 Project will be subject to the Site Lease, the Lease and the rights of the Trustee in, to and under the Lease and the Project.

### **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 the Lease 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 Site Lease, 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 or the Site 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 Project (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 under the Site Lease all documents necessary to vest in the Trustee for the remainder of the Trustee's leasehold term under the Site Lease all of the City's interest in the Project), and sell the Trustee's interest in the Project or lease the Project or, for the account of the City,

sublease the Project, 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 Project 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 Project and under the Lease.

## **APPENDIX D**

### **BOOK-ENTRY SYSTEM**

## BOOK-ENTRY SYSTEM

The Series 2016 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 2016 Certificates will not receive certificates representing their interests in the Series 2016 Certificates.

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

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2016 Certificates. The Series 2016 Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2016 Certificate will be issued for each maturity of the Series 2016 Certificates, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Series 2016 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Certificates on DTC’s records. The ownership interest of each actual purchaser of each Series 2016 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 2016 Certificates are to be accomplished by entries made on

the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2016 Certificates, except in the event that use of the book-entry system for the Series 2016 Certificates is discontinued.

To facilitate subsequent transfers, all Series 2016 Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2016 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016 Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2016 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2016 Certificates, such as redemptions, defaults, and proposed amendments to the Series 2016 Certificate documents. For example, Beneficial Owners of Series 2016 Certificates may wish to ascertain that the nominee holding the Series 2016 Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2016 Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2016 Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2016 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Series 2016 Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal of or interest on the Series 2016 Certificates to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2016 Certificates at any time by giving reasonable notice to the City or the Trustee. Under such circumstances,

in the event that a successor depository is not obtained, Series 2016 Certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2016 Certificates will be printed and delivered to DTC. The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC. The City and the Underwriter take no responsibility for the accuracy thereof.

**APPENDIX E**

**FORM OF OPINION OF  
SPECIAL TAX COUNSEL**

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

[Closing Date]

The City of Lincoln, Nebraska  
Lincoln, Nebraska

Union Bank and Trust Company, Trustee  
Lincoln, Nebraska

Robert W. Baird & Co. Incorporated  
Milwaukee, Wisconsin

Re:     \$8,550,000 Certificates of Participation, Series 2016, Evidencing Proportionate Interests  
of the Owners in Basic Rent Payments to be Made by The City of Lincoln, Nebraska

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Ladies and Gentlemen:

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

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

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

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

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

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



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

3. The interest portion of each Basic Rent Payment represented by the Certificates is excluded from gross income for federal and Nebraska income tax purposes, is not an item of tax preference for purposes of federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in this paragraph are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the execution and delivery of the Lease and the Certificates in order that the interest portions of Basic Rent Payments represented by the Certificates be, or continue to be, excluded from gross income for federal and Nebraska income tax purposes. The City has covenanted to comply with all of these requirements. Failure to comply with certain of such requirements may cause the inclusion of such interest portions of Basic Rent Payments in gross income for federal and Nebraska income tax purposes retroactive to the date of execution and delivery of the Lease. The City's obligation to pay Basic Rent Payments under the Lease has not been designated as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code.

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

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

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

Very truly yours,