

*The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is included in gross income for federal income tax purposes and is not exempt from Nebraska income taxation. See "TAX MATTERS" in this Official Statement.*

**OFFICIAL STATEMENT**  
**\$48,375,000**  
**THE CITY OF LINCOLN, NEBRASKA**  
**GENERAL OBLIGATION PARKING SYSTEM AND REFUNDING BONDS**  
**TAXABLE SERIES 2019**

**Dated: date of delivery****Due: August 15, as shown on the inside cover**

The Bonds are issuable in fully registered form and, when initially issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Purchases of the Bonds will be originally made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through, DTC participants. Beneficial owners of the Bonds will not receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal or redemption price of and interest on the Bonds will be made directly to DTC. Interest is payable on February 15 and August 15 of each year, beginning February 15, 2020. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of the DTC participants. Union Bank & Trust Company, Lincoln, Nebraska, is bond registrar and paying agent for the Bonds (the "**Registrar**"). For terms relating to principal and interest payments made to DTC or its nominee or in the event that the use of book-entry form is discontinued, see "**THE BONDS - Book-Entry System.**"

The Bonds are being issued to provide a portion of the funds necessary to provide for (a) pay the costs of certain additions and improvements to the City's off-street parking facilities (the "**Project**"), (b) fund an escrow for the purpose of paying the principal of and interest on the City's Parking Revenue and Refunding Bonds, Series 2011, dated January 27, 2011 and the City's Parking Revenue and Refunding Bonds, Series 2012, dated December 13, 2012 (together, the "**Refunded Bonds**") through and including February 15, 2021 and August 15, 2022, respectively (together, the "**Redemption Dates**") and to redeem on the Redemption Dates all of the then-outstanding Refunded Bonds and (c) pay the costs of issuing the Bonds. See "**PLAN OF FINANCING**" and "**ESTIMATED SOURCES AND USES OF FUNDS**" herein.

The Bonds are secured by a first lien on and pledge of the Pledged Parking Revenues and the funds established in the Bond Ordinance. The City pledged in the Bond Ordinance the Pledged Parking Revenues to the equal and ratable security of all Bonds issued under and pursuant to the Bond Ordinance, and any additional bonds which may be issued. The Bonds are further payable from all receipts now or hereafter received by the City from the Highway Allocation Fund of the State of Nebraska, subject to a prior and senior lien on such receipts for the City's General Obligation Highway Allocation Fund Refunding Bonds, Series 2016, dated December 15, 2016 and General Obligation Highway Allocation Fund Refunding Bonds, Series 2012, dated June 6, 2012 and any additional highway allocation fund bonds issued from time to time on a parity therewith (collectively, the "**Outstanding Highway Allocation Bonds**"). In addition, to the extent that other legally available money of the City available or appropriated for such purposes is insufficient to pay the principal of and interest on the Bonds when and as the same shall become due, the City has agreed that it will cause to be levied and collected annually a tax on all the taxable property in the City within any applicable charter, statutory and constitutional limitations sufficient in amount to pay the principal or redemption price of and interest on the Bonds until the same is fully paid. The full faith and credit of the City is pledged to the prompt payment of the principal of and interest on the Series 2019 Bonds. See "**SECURITY**" and "**NEBRASKA DEVELOPMENTS RELATED TO BUDGETS AND TAXATION.**"

**This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.**

The Bonds maturing on or after August 15, 2030 are subject to optional redemption prior to maturity at the option of the City at any time on or after August 15, 2029 as set forth herein. See "**THE BONDS - Optional Redemption.**"

The Bonds are offered when, as, and if issued, subject to the approval of legality by Gilmore & Bell, P.C., Omaha, Nebraska, Bond Counsel to the City. Certain legal matters will be passed on by Jeffery R. Kirkpatrick, City Attorney. It is expected that the Bonds will be available for delivery through DTC on or about July 11, 2019.

**MATURITY SCHEDULE – SEE INSIDE COVER**

AMERITAS INVESTMENT CORP.  
Has Acted as Municipal Advisor with respect to the Bonds

The date of this Official Statement is June 26, 2019

## MATURITY SCHEDULE

**\$48,375,000**

**THE CITY OF LINCOLN, NEBRASKA  
GENERAL OBLIGATION PARKING SYSTEM AND REFUNDING BONDS  
TAXABLE SERIES 2019**

| <b><u>Maturity</u></b><br><b><u>(August 15,)</u></b> | <b><u>Principal</u></b><br><b><u>Amount</u></b> | <b><u>Interest</u></b><br><b><u>Rate</u></b> | <b><u>Yield</u></b> | <b><u>Price</u></b> | <b><u>CUSIP</u></b><br><b><u>(534239)</u></b> |
|--|---|--|---------------------|---------------------|---|
| 2020   | \$2,315,000                                     | 3.000%                                       | 1.900%              | 101.184%            | EA2   |
| 2021   | 2,515,000                                       | 3.000  | 1.950               | 102.143             | EB0   |
| 2022   | 2,880,000                                       | 3.000  | 1.970               | 103.076             | EC8   |
| 2023   | 2,975,000                                       | 3.000  | 2.020               | 103.831             | ED6   |
| 2024   | 3,055,000                                       | 3.000  | 2.050               | 104.572             | EE4   |
| 2025   | 3,155,000                                       | 2.300  | 2.300               | 100.000             | EF1   |
| 2026   | 3,220,000                                       | 2.350  | 2.350               | 100.000             | EG9   |
| 2027   | 3,300,000                                       | 2.350  | 2.380               | 99.779              | EH7   |
| 2028   | 3,375,000                                       | 2.400  | 2.430               | 99.755              | EJ3   |
| 2029   | 3,460,000                                       | 2.450  | 2.480               | 99.732              | EK0   |
| 2030   | 3,550,000                                       | 2.500  | 2.580               | 99.231              | EL8   |
| 2031   | 1,980,000                                       | 2.625  | 2.650               | 99.741              | EM6   |
| 2032   | 1,425,000                                       | 2.700  | 2.730               | 99.670              | EN4   |
| 2033   | 1,465,000                                       | 2.750  | 2.780               | 99.650              | EP9   |
| 2034   | 1,505,000                                       | 2.800  | 2.860               | 99.267              | EQ7   |
| 2035   | 1,545,000                                       | 2.900  | 2.930               | 99.615              | ER5   |
| 2039*  | 6,655,000                                       | 3.000  | 3.000               | 100.000             | EV6   |

\*Term Bond

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

Leirion Gaylor Baird, Mayor

**City Council Members**

Jane Raybould (Chair)

James Michael Bowers  
Richard Meginnis  
Tammy Ward

Roy Christensen  
Bennie Shobe  
Sandra Washington

**City Department Heads**

|                              |                                     |
|------------------------------|-------------------------------------|
| Brandon Kauffman.....        | Finance Director                    |
| Jeffery R. Kirkpatrick ..... | City Attorney                       |
| David Cary .....             | Planning Director                   |
| Lynn Johnson .....           | Parks and Recreation Director       |
| Kevin Wailes.....            | LES Administrator and CEO           |
| Dan Marvin .....             | Urban Development Director          |
| Pat Leach.....               | Library Director                    |
| Miki Esposito.....           | Public Works and Utilities Director |
| Shavonna Lausterer.....      | Health Director                     |
| Douglas J. McDaniel.....     | Personnel Director                  |
| Chad Blahak.....             | Building and Safety Director        |
| Jeff Bliemeister .....       | Police Chief                        |
| Micheal Despain .....        | Fire Chief                          |

Peggy Tharnish, City Controller

**Municipal Advisor**

Ameritas Investment Corp.  
Lincoln, Nebraska

**Bond Counsel**

Gilmore & Bell, P.C.  
Omaha, Nebraska

**Paying Agent And Registrar**

Union Bank & Trust Company  
Lincoln, Nebraska

**Independent Auditors**

BKD, LLP  
Lincoln, Nebraska

No broker, dealer, sales representative or other person has been authorized by the City to give any information or to make any representations, 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 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. 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 circumstance, create any implication that there has been no change in the affairs of the City since the date hereof.

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**THIS OFFICIAL STATEMENT IS NOT, AND MAY NOT BE CONSTRUED AS, A CONTRACT WITH THE PURCHASERS OF THE BONDS. STATEMENTS CONTAINED IN THE OFFICIAL STATEMENT WHICH INVOLVE ESTIMATES, FORECASTS, OR MATTERS OF OPINION, WHETHER OR NOT EXPRESSLY SO DESCRIBED HEREIN, ARE INTENDED SOLELY AS SUCH AND ARE NOT TO BE CONSTRUED AS A REPRESENTATION OF FACTS.**

**THE UNDERWRITER INTENDS TO OFFER THE BONDS INITIALLY AT THE OFFERING PRICES SET FORTH ON THE INSIDE COVER PAGE OF THIS OFFICIAL STATEMENT, WHICH MAY SUBSEQUENTLY CHANGE WITHOUT ANY REQUIREMENT OF PRIOR NOTICE. IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, AND SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

**THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT.**

## OFFICIAL STATEMENT

**\$48,375,000**

### **THE CITY OF LINCOLN, NEBRASKA GENERAL OBLIGATION PARKING SYSTEM AND REFUNDING BONDS TAXABLE SERIES 2019**

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#### **INTRODUCTION**

This Official Statement, including the preceding pages and appendices hereto, is furnished by The City of Lincoln, Nebraska (the “**City**”), a home rule city of the primary class and political subdivision of the State of Nebraska (the “**State**”), to provide information about the City and its \$48,375,000 General Obligation Parking System and Refunding Bonds, Taxable Series 2019 (the “**Bonds**” or the “**Series 2019 Bonds**”). Union Bank & Trust Company is bond registrar and paying agent for the Bonds (the “**Registrar**”).

Descriptions of and references to the Bonds, the Bond Ordinance (defined herein), related transaction documents and other matters do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the complete texts thereof. Copies of such documents are available for inspection at the office of Ameritas Investment Corp., Lincoln, Nebraska, Municipal Advisor to the City.

#### **AUTHORITY**

The City is issuing the Series 2019 Bonds under the authority of the provisions of Section 10-142, Reissue Revised Statutes of Nebraska, as amended, Sections 15-244 and 15-269, Reissue Revised Statutes of Nebraska, as amended, and Sections 66-4,101, 66-4,147 and 66-4,148, Reissue Revised Statutes of Nebraska, as amended (collectively, the “**Act**”), and Ordinance No. 20777 duly adopted by the Council on May 6, 2019 and approved by the Mayor on May 10, 2019 (the “**Bond Ordinance**”).

#### **SECURITY**

##### **Pledged Parking Revenues**

The Bonds are secured by a first lien on and pledge of the Pledged Parking Revenues (as defined below) and the funds established in the Bond Ordinance. The City pledged in the Bond Ordinance the Pledged Parking Revenues to the equal and ratable security of all bonds issued under and pursuant to the Bond Ordinance, and any additional bonds which may be issued. The “**Pledged Parking Revenues**” consist of, collectively, the net earnings (gross revenues less operating expenses) of the Project and certain motor vehicle off-street parking facilities of the City, as designated from time to time (the “**Net Off Street Revenues**”), and the gross on-street parking meter revenues of the City (the “**Gross On-Street Revenues**”).

##### **Covenant to Establish Rates and Charges**

In the Ordinance, the City has covenanted and agreed that it will from time to time establish, maintain and collect fees, rents, tolls and other charges for the use and occupancy of the parking system of the City and for all services, facilities, commodities sold, furnished or supplied to the parking system, which will provide Pledged Parking Revenues (which takes into account operating expenses of certain off-street parking

facilities of the City; see definition of Pledged Parking Revenues above) equal, in each fiscal year, to the actual annual debt service in such fiscal year, with respect to all Bonds and any Bonds which may be issued in the future on a parity with the Bonds as to the Pledged Parking Revenues. The parking system consists of the facilities producing Pledged Parking Revenues, as designated from time to time by the City.

### **Highway Allocation Fund Revenues; Ad Valorem Tax Pledge**

The Bonds are further payable from all receipts now or hereafter received by the City from the Highway Allocation Fund of the State of Nebraska, subject to a prior and senior lien on such receipts by the City's General Obligation Highway Allocation Fund Refunding Bonds, Series 2016, dated December 15, 2016 and General Obligation Highway Allocation Fund Refunding Bonds, Series 2012, dated June 6, 2012 and any additional highway allocation fund bonds hereafter issued on a parity basis as to the Highway Allocation Fund with such bonds (collectively, the **"Outstanding Highway Allocation Bonds"**). The pledge of money received from the Highway Allocation Fund shall not prevent the City from applying receipts from the Highway Allocation Fund in any year for other purposes so long as sufficient receipts from the Highway Allocation Fund have been set aside for the payment of the principal of and interest on the Outstanding Highway Allocation Bonds and the Bonds falling due in such year, to the extent necessary after application of the Pledged Parking Revenues.

In addition, to the extent that other legally available money of the City available or appropriated for such purposes is insufficient to pay the principal of and interest on the Bonds when and as the same shall become due, the City has agreed that it will cause to be levied and collected annually a tax on all the taxable property in the City within any applicable charter, statutory and constitutional limitations sufficient in amount to pay the principal or redemption price of and interest on the Bonds until the same is fully paid. The full faith and credit of the City is pledged to the prompt payment of the principal of and interest on the Series 2019 Bonds. See **"NEBRASKA DEVELOPMENTS RELATED TO BUDGETS AND TAXATION."**

### **Additional Bonds**

Pursuant to the Ordinance, the City may issue additional general obligation parking system bonds (the **"Additional Bonds"**) payable on a parity as to the Pledged Parking Revenues and from the Highway Allocation Fund with the Bonds.

## **BONDHOLDERS' RISKS**

### **Limitation of Rights Upon Insolvency**

The United States Bankruptcy Code enables debtors (including municipalities such as the City) that are insolvent to obtain relief through a petition and plan that may result in the modification or delay of payments to creditors, including registered owners of the Bonds. In the event the City becomes insolvent, the registered owners of the Bonds may be treated as general creditors of the City along with all other unsecured claimants. The extent to which the exception from limitations upon overall tax rates provided for in existing legislation might entitle registered owners of the Bonds to be treated as a separate class or otherwise given priority over other unsecured claimants is a matter that would be subject to future determinations of state and federal courts interpreting and applying both state law and the provisions of the United States Bankruptcy Code. Procedures under the United States Bankruptcy Code or other insolvency laws could result in delays in payment and modifications of payment rights.

The State of Nebraska has authorized its political subdivisions to seek relief under the United States Bankruptcy Code; provided, however, recent limitations have been imposed by the State. In 2017, the

Nebraska Legislature (the “**Legislature**”) passed and the Governor approved Legislative Bill 72 (“**LB 72**”), which prohibits a city or village in the State from filing for bankruptcy if its defined benefit retirement plan, if any, is below certain funding levels at the time of the filing of the bankruptcy petition as follows:

| <u>Period of Petition Filing</u>   | <u>Funded Ratio of Actuarial Value of Assets</u> |
|------------------------------------|--|
| January 1, 2020 to January 1, 2023 | Less than 51.65%                                 |
| January 1, 2023 to January 1, 2026 | Less than 54.41%                                 |
| January 1, 2026 to January 1, 2029 | Less than 58.21%                                 |
| January 1, 2029 to January 1, 2032 | Less than 63.41%                                 |
| January 1, 2032 to January 1, 2035 | Less than 70.71%                                 |
| January 1, 2035 to January 1, 2038 | Less than 80.61%                                 |
| After January 1, 2038              | Less than 90.00%                                 |

The City’s funded ratio for its only defined benefit retirement plan, the Police and Fire Pension Plan, based on the actuarial value of assets as of August 31, 2018, and as discussed more fully in Footnote 13 to the City’s audited financial statements attached hereto, was 82.94%. The City expects that its funded ratio will increase over time, and does not believe that the limitation imposed by LB 72 would prohibit the City from filing for bankruptcy.

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

The Nebraska Legislature has enacted legislation intended to reduce the level of property taxation and political subdivision expenditures in the State. The Legislature has enacted legislation to provide for budget limitations and legislation requiring reductions in the rate of taxation for general property taxes. Budget limitations relating to cities, villages, counties and other political subdivisions (Sections 13-518 to 13-522, R.R.S. Neb. 2012, as amended, and related sections, the “**Budget Limitations**”) limit the growth in amounts which may be budgeted with respect to certain restricted funds. Restricted funds include sales taxes, property taxes and certain other revenue sources. The limitation imposed does not apply to tax revenues pledged to retire bonded indebtedness. The Budget Limitations currently provide for a base limitation of 2.5% upon increases. Such base limitation is subject to review by the Nebraska Legislature from year to year. The base limitation may be exceeded by an additional 1% upon an affirmative vote of at least 75% of the governing body. These limitations are to be enforced through the office of the Auditor of Public Accounts of the State of Nebraska and state aid may be withheld from governmental units which fail to comply. The Budget Limitations do not apply to (i) restricted funds pledged to retire bonded indebtedness or (ii) to the revenues of proprietary funds unless such revenues are transferred to fund a service for a function not directly related to the charges and activity for which the charges are imposed.

Tax levy limitations (Section 77-3442, R.R.S. Neb. 2018, as amended, and related sections, the “**Levy Limitations**”) provide for overall limitations on the tax levies of political subdivisions, including cities. The Levy Limitations provide for an express exclusion from the limitations for property tax levies for bonded indebtedness, such as the Bonds.

**Taxes to pay principal and interest on the City’s general obligation bonds, including the Bonds, are thus not subject either to the Budget Limitations or the Levy Limitations.**

Under the Levy Limitations, the rates for levying property taxes have been reduced for each type of governmental unit in the State of Nebraska. The rate for cities is set at 45¢ per \$100 of taxable valuation with an additional 5¢ available for payments under interlocal cooperation agreements.

The future methods for providing for financing cities, schools and other local units may be altered depending upon future actions to be taken by the Nebraska Legislature, further decisions of the Nebraska Supreme Court and federal courts and future initiative petitions proposed by voters.

## **PLAN OF FINANCING**

### **The Refunding Plan**

The City is using a portion of the Bond proceeds to provide funds to (a) acquire, purchase, construct, and install certain additions and improvements to the off-street parking facilities of the City (the **“Project”**), (b) fund an escrow for the purpose of paying the principal of and interest on the City’s Parking Revenue and Refunding Bonds, Series 2011, dated January 27, 2011 and the City’s Parking Revenue and Refunding Bonds, Series 2012, dated December 13, 2012 (together, the **“Refunded Bonds”**) through and including February 15, 2021 and August 15, 2022, respectively (together, the **“Redemption Dates”**) and (c) pay the costs of issuing the Bonds.

On the date of issuance of the Bonds, a portion of the net proceeds thereof, together with certain other funds held by City with respect to the Refunded Bonds, will be deposited into an escrow account (the **“Escrow Account”**) to be held under an Escrow Agreement, dated the date of the Bonds (the **“Escrow Agreement”**), between the City and Union Bank & Trust Company (the **“Escrow Agent”**). Such deposit, as held and invested, will be sufficient to pay when due the principal amount or redemption price of and all interest due on the Refunded Bonds through and including the Redemption Date and to redeem on the applicable Redemption Date all of the then outstanding Refunded Bonds.

After the issuance of the Bonds and the deposit of the proceeds thereof and other moneys with the Escrow Agent pursuant to the Escrow Agreement, the Refunded Bonds will be payable from the deposit thereof held for such purpose by the Escrow Agent. Under the Escrow Agreement, the moneys held by the Escrow Agent are irrevocably pledged to the payment of the Refunded Bonds and the interest thereon and may be applied only to such payment, and the Refunded Bonds will no longer be deemed outstanding for purposes of the Bond Ordinance.

### **Verification of Mathematical Computations**

Upon delivery of the Series 2016 Bonds, Chris D. Berens, CPA, P.C., a firm of independent certified public accountants, will deliver to the City and the Underwriter a report for each the Refunded Bonds verifying the mathematical accuracy of certain computations relating to the adequacy of the maturing principal amount of the securities held in the respective escrow account, interest earned thereon and certain uninvested cash to pay the principal and redemption price of, and interest on, the Refunded Bonds as such principal and redemption price and interest become due and payable. Such verification of the accuracy of the computations will be based upon information supplied by the City’s Municipal Advisor.



## ESTIMATED SOURCES AND USES OF FUNDS

### SOURCES OF FUNDS:

|                                       |                                |
|---------------------------------------|--------------------------------|
| Principal Amount of Series 2019 Bonds | \$ 48,375,000.00               |
| Plus Net Original Issue Premium       | 339,469.55                     |
| Refunded Bonds Funds                  | <u>4,057,256.73</u>            |
| <b>TOTAL SOURCES:</b>                 | <b><u>\$ 52,771,726.28</u></b> |

### USES OF FUNDS:

|                              |                                |
|------------------------------|--------------------------------|
| Deposit to Construction Fund | \$ 27,000,000.00               |
| Deposit to Escrow Account    | 25,401,865.63                  |
| Underwriter's Discount       | 154,240.35                     |
| Costs of Issuance            | 214,656.25                     |
| Rounding Amount              | <u>964.05</u>                  |
| <b>TOTAL USES:</b>           | <b><u>\$ 52,771,726.28</u></b> |

## THE BONDS

### General

The Bonds will be initially issued in fully registered, book-entry form, in denominations of \$5,000 or any integral multiple thereof, will have a date of original issue (the **“Date of Original Issue”**) of the date of delivery thereof, will bear interest from the Date of Original Issue payable on February 15 and August 15 of each year, commencing February 15, 2020, will mature on August 15 in the years and in the principal amounts, and will bear interest at the rates (calculated on the basis of a 30-day month and a 360-day year) as set forth on the inside cover page of this Official Statement. Each installment of interest will be payable by check or draft mailed by the Registrar on the due date thereof (or on the next business day if such due date falls on a Saturday, Sunday or bank holiday applicable to the Registrar) to the registered owner of a Bond as shown on the bond registration records of the City maintained by the Registrar as of the Record Date (hereinafter defined). The principal of each Bond will be payable upon the surrender of such Bond to the Registrar. The **“Record Date”** for each installment of interest shall be the fifteenth day immediately preceding such interest payment date.

### Book-Entry System

**General.** The Depository Trust Company (**“DTC”**), New York, New York, will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity, as set forth on the inside cover page 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 Bonds 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 C - BOOK-ENTRY SYSTEM”** to this Official Statement.

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

### **Interchangeability and Transfer**

The Bonds, upon surrender thereof to the Registrar with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or its duly authorized attorney, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of Bonds in registered form of the same series, rate of interest, maturity and of any authorized denomination.

In all cases in which the privilege of exchanging or transferring the Bonds is exercised, the City shall execute and the Registrar shall deliver the Bonds in accordance with the Bond Ordinance. For every such transfer or exchange of Bonds, the Registrar shall require the payment by the registered owner requesting such transfer or exchange of any tax or other governmental charges payable with respect thereto, and may charge a sum not exceeding the actual cost for each new Bond.

Neither the City nor the Registrar is required to make any such exchange or registration of transfer of Bonds during the period between a Record Date and the next succeeding interest payment date or, in the case of any proposed redemption of Bonds, after notice of the redemption of such Bonds or any portion thereof shall have been given pursuant to the Bond Ordinance.

The foregoing procedures do not apply to Beneficial Owners, whose transfer and exchange privileges will be governed by the procedures described under “**THE BONDS - Book-Entry System**” so long as the Bonds are held in book-entry format.

### **Optional Redemption**

Bonds maturing on or prior to August 15, 2029 are not subject to redemption prior to their stated maturities. Bonds maturing on or after August 15, 2030, are subject to redemption prior to maturity at the option of the City in whole or in part, at any time on or after August 15, 2029 in such principal amounts and from such maturity or maturities as the City shall specify and by lot in integral multiples of \$5,000 within a maturity at a redemption price equal to 100% of the principal amount then being redeemed, together with accrued interest on such principal amount to the date fixed for redemption.

### **Mandatory Sinking Fund Redemption**

Bonds maturing on August 15, 2039 are subject to mandatory sinking fund redemption by lot on August 15 of the years and in the principal amounts specified below, at a redemption price equal to the principal amount thereof (with no redemption premium), plus accrued interest to the redemption date:

| <b>Years</b> | <b>Principal Amount</b> |
|--------------|-------------------------|
| 2036         | \$1,590,000             |
| 2037         | 1,640,000               |
| 2038         | 1,685,000               |
| 2039*        | 1,740,000               |

\*Maturity

### **Notice and Effect of Call for Redemption**

In the event of any such redemption, the Registrar will give written notice of the City's intention to redeem and pay such Bonds by first-class mail to the registered owner of each Bond to be redeemed, such notice to be mailed not less than 30 days prior to the redemption date. Notice of redemption having been given as stated above, the Bonds or portions of Bonds to be redeemed shall become due and payable on the redemption date, at the redemption price therein specified, and from and after the redemption date (unless the City defaults in the payment of the redemption price) such Bonds or portion of Bonds shall cease to bear interest. Failure to give notice to any particular registered owner or any defect in the notice given to such owner shall not affect the validity of the proceedings calling the Bonds or the redemption of any Bonds for which proper notice has been given. The City shall have the right to direct further notice of redemption for any Bond for which defective notice has been given. Notice of redemption may be waived in writing by the registered owner of any Bond.

So long as DTC is effecting book-entry transfers of the Bonds, the Registrar will provide the notices of Bonds to be redeemed to DTC. It is expected that DTC will, in turn, notify the DTC Participants and that the DTC Participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of DTC or a DTC Participant, or failure on the part of a nominee of a Beneficial Owner of a Bond (having been mailed notice from the Registrar, a DTC Participant or otherwise) to notify the Beneficial Owner of the Bond so affected, will not affect the validity of the redemption of such Bond.

### **RATINGS**

Moody's Investors Service has assigned the Bonds the rating of "Aaa" and Standard & Poor's, a division of The McGraw-Hill Companies, has assigned the Bonds the rating of "AAA." Such ratings reflect only the views of such organizations, and an explanation of the significance of such ratings may be obtained from Moody's Investors Service, 250 Greenwich Street, 23<sup>rd</sup> Floor, New York, New York 10007, telephone (212) 553-0300, and Standard & Poor's Ratings Services, 55 Water Street, New York, New York, 10041, telephone (212) 438-2124.

Generally, rating agencies base their ratings on such information and materials and investigations, studies and assumptions furnished to and obtained and made by the rating agencies. The debt ratings are not a recommendation to purchase, sell or hold a security, inasmuch as they do not comment as to market price or suitability for a particular investor. There is no assurance that the above ratings will remain for any given period of time or that they may not be lowered, suspended or withdrawn entirely by either or both rating services if they deem circumstances are appropriate. Any downward change in, suspension or withdrawal of either or both ratings may have an adverse effect on the market price of the Bonds.

## TAX MATTERS

The following is a summary of the material federal and State of Nebraska income tax consequences of holding and disposing of the Bonds. 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 Bonds 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 Bonds 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 Bonds.

### **Tax Status of the Bonds – Federal and State of Nebraska**

***No Federal or Nebraska Tax Exemption.*** The interest on the Bonds is *included* in gross income for federal income tax purposes, in accordance with an owner's normal method of accounting, and is *not* exempt from income taxation by the State of Nebraska. Bond Counsel is expressing no opinion regarding federal, state or local tax consequences arising with respect to the Bonds. Purchasers of Bonds should consult their tax advisors as to the applicability of these tax consequences and other income tax consequences of the purchase, ownership and disposition of the Bonds, including the possible application of state, local, foreign and other tax laws.

***No Other Opinions.*** Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Bonds, except as expressly provided herein. Purchasers of the Bonds should consult their tax advisors as to the applicability of these tax consequences and other income tax consequences of the purchase, ownership and disposition of the Bonds, including the possible application of state, local, foreign and other tax laws.

### **Other Tax Consequences**

***Original Issue Discount.*** For Federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a Bond over its issue price. The issue price of a Bond is the first price at which a substantial amount of the Bonds of that maturity have been sold to the public. If the original issue discount on a Bond is more than a *de minimis* amount (generally  $\frac{1}{4}$  of 1% of the stated redemption price at maturity of the Bond multiplied by the number of complete years to its maturity date), then that Bond will be treated as issued with original issue discount. The amount of original issue discount that accrues to an owner of a Bond during any accrual period generally equals (1) the issue price of that Bond, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Bond (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 Bond during that accrual period. The amount of original issue discount accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be included in gross income for federal income tax purposes, and will increase the owner's tax basis in that Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of original issue discount.

***Original Issue Premium.*** For federal income tax purposes, premium is the excess of the issue price of a Bond over its stated redemption price at maturity. The issue price of a Bond is generally the first price at which a substantial amount of the Bonds of that maturity have been sold to the public. Under Section 171

of the Code, the owner of a Bond having bond premium may elect to amortize the premium over the term of the Bond using constant yield principles, based on the purchaser's yield to maturity. An owner of a Bond amortizes bond premium by offsetting the qualified stated interest allocable to an accrual period with the bond premium allocable to that accrual period. This offset occurs when the owner takes the qualified stated interest into income under the owner's regular method of accounting. If the premium allocable to an accrual period exceeds the qualified stated interest for that period, the excess is treated by the owner as a deduction under Section 171(a)(1) of the Code. As premium is amortized, the owner's basis in the Bond will be reduced by the amount of amortizable bond premium properly allocable to the owner. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.

***Sale, Exchange or Retirement of Bonds.*** Upon the sale, exchange or retirement (including redemption) of a Bond, an owner of the Bond 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 Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Bond. To the extent a Bond 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 Bond 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 Bonds, and to the proceeds paid on the sale of the Bonds, 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 Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Bonds 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 Bonds, including the possible application of state, local, foreign and other tax laws.

## **CONTINUING DISCLOSURE**

The City is executing the Continuing Disclosure Undertaking for the benefit of the owners and Beneficial Owners of the Bonds 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" within the meaning of the Rule 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 Continuing Disclosure Undertaking, the City shall, not later than **May 1** of each year, commencing May 1, 2020, provide to the Municipal Securities Rulemaking Board ("**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 Bonds, 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 the financial information and operating data relating to the City contained in **APPENDIX A** of this Official Statement in substantially the same format contained in this Official Statement.

**Material Event Notices.** Pursuant to the Continuing Disclosure Undertaking, 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 Bonds (“**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 Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of bondowners, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Bonds, 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;
- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material;
- (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

For purposes of events (15) and (16) above, “Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of repayment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b); *provided, however*, the term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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 Continuing Disclosure Undertaking, and may discharge any such dissemination 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 Continuing Disclosure Undertaking.

Notwithstanding any other provision of the Continuing Disclosure Undertaking, the City and any dissemination agent may amend the Continuing Disclosure Undertaking (and such dissemination agent shall agree to any amendment so requested by the City) and any provision of the Continuing Disclosure Undertaking may be waived, provided Bond Counsel or other counsel experienced in federal securities law matters provides the City and any dissemination agent 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 Continuing Disclosure Undertaking.

In the event of a failure of the City or any dissemination agent to comply with any provision of the Continuing Disclosure Undertaking, any owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or any dissemination agent, as the case may be, to comply with its obligations under the Continuing Disclosure Undertaking. A default under the Continuing Disclosure Undertaking shall not be deemed an event of default under the Bond Ordinance, and the sole remedy under the Continuing Disclosure Undertaking in the event of any failure of the City or any dissemination agent to comply with the Continuing Disclosure Undertaking 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 Continuing Disclosure Undertaking 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 Bonds is incorporated by reference in this Official Statement.

## **LITIGATION**

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization or existence of the City, nor the title of the members of the Council or other officers of the City to their respective offices is being contested or questioned.

There is no litigation pending that in any manner questions the right of the City to pass the Bond Ordinance pursuant to which the Bonds are being issued.

## **LEGAL MATTERS**

All legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Gilmore & Bell, P.C., Omaha, Nebraska, Bond Counsel. Bond Counsel has participated in the preparation of this Official Statement, but the factual and financial information appearing herein has been supplied or reviewed by certain officials of the City and other sources as referred to herein, and Bond Counsel expresses no opinion as to the accuracy or sufficiency thereof except for the information under **“THE BONDS,” “LEGAL MATTERS”** and **“TAX MATTERS.”**

## **INDEPENDENT AUDITORS**

The financial statements and schedules of the City for the year ended August 31, 2018, included in **“APPENDIX B – FINANCIAL STATEMENTS,”** have been audited by BKD LLP, independent auditors, as stated in their report appearing herein.

## **MISCELLANEOUS**

All estimates and assumptions herein have been made on the basis of the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates or assumptions are current or will be realized. So far as any statements herein involve matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

The information set forth in this Official Statement should not be construed as representing all of the conditions affecting the City or the Bonds.

This Official Statement is issued by the City.

**THE CITY OF LINCOLN, NEBRASKA**



## **APPENDIX A**

### **THE CITY OF LINCOLN**

## **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 96.75 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 2018 population is 284,736.

### **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 7,511 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, Uber and local StarTran bus services.

The mean commute time in Lincoln is 19 minutes and nearly 17 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 25,820 students, Nebraska Wesleyan University, with approximately 2,064 students, Union College, with approximately 868 students, Kaplan University, with approximately 593 students, Bryan LGH College of Health Sciences with approximately 700 students, and Southeast Community College, with more than 9,000 students and 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 42,011 is served by 6 high schools, 12 middle schools, and 39 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<br>YEAR | COMMERCIAL <sup>1</sup><br>CONSTRUCTION |                | RESIDENTIAL <sup>1</sup><br>CONSTRUCTION |                | PROPERTY VALUE <sup>2</sup> |                   | TOTALS            |
|                | #<br>PERMITS                            | VALUE          | #<br>PERMITS                             | VALUE          | COMMERCIAL                  | RESIDENTIAL       |                   |
| 2018           | 1,036                                   | \$ 308,714,552 | 3,014                                    | \$ 352,657,602 | \$ 5,582,574,159            | \$ 13,997,042,582 | \$ 19,579,616,741 |
| 2017           | 1,007                                   | 441,939,943    | 3,036                                    | 280,532,269    | 5,443,342,291               | 12,573,902,552    | 18,017,244,843    |
| 2016           | 1,038                                   | 285,396,259    | 2,891                                    | 248,194,698    | 5,264,621,434               | 12,353,764,148    | 17,618,385,582    |
| 2015           | 1,321                                   | 309,759,043    | 2,346                                    | 379,740,291    | 5,017,666,961               | 11,584,715,041    | 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    |

<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 288 firefighters and three police stations with 327 police officers.

## **City Employee Information**

For the 2018-2019 fiscal year, contracts have been signed with all of our unions. Unions include: the Lincoln Police Union (LPU) representing police officers; the International Association of Firefighters (IAF) representing firefighters, the Amalgamated Transit Union (ATU) representing transit workers, the Public Association of Government Employees (PAGE) representing labor, trades, and clerical personnel, the Lincoln City Employees Association (LCEA) representing supervisory, highly technical, and professional personnel, and the Lincoln M Class Employees Association (LMCEA) representing upper management, administration and professional personnel. The LPU contract will expire at the end of August, 2019 and ATU, LMCEA, PAGE, IAF and LCEA contracts will expire at the end of August, 2020.

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, 2018       |                     | NOVEMBER 30, 2018  |                     |
|---|--------------------|---------------------|--------------------|---------------------|
|   | Number<br>Employed | Percent<br>of Total | Number<br>Employed | Percent<br>of Total |
| Industry Manufacturing:                 |                    |                     |                    |                     |
| Durable Goods                           | 8,512              | 4.5                 | 8,667              | 4.5                 |
| Nondurable Goods                        | 4,847              | 2.5                 | 4,645              | 2.4                 |
| Total Industry Manufacturing            | 13,359             | 7.0                 | 13,312             | 6.9                 |
| Nonmanufacturing:                       |                    |                     |                    |                     |
| Natural Resource & Construction         | 10,017             | 5.2                 | 10,077             | 5.2                 |
| Transportation, Warehousing & Utilities | 10,710             | 5.6                 | 10,804             | 5.6                 |
| Wholesale Trade                         | 3,916              | 2.0                 | 3,873              | 2.0                 |
| Retail Trade                            | 19,663             | 10.3                | 20,176             | 10.4                |
| Information                             | 3,140              | 1.6                 | 3,160              | 1.6                 |
| Finance, Insurance & Real Estate        | 14,887             | 7.8                 | 14,941             | 7.7                 |
| Services (except domestic)              | 74,245             | 38.8                | 75,576             | 39.0                |
| Government                              | 41,510             | 21.7                | 41,811             | 21.6                |
| Total Nonmanufacturing                  | 178,088            | 93.0                | 180,418            | 93.1                |
| TOTAL                                   | 191,447            | 100.0               | 193,730            | 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 2018 the unemployment rate in Lincoln was 2.3%, among the lowest unemployment rates in the United States.

### LINCOLN SMSA (LANCASTER COUNTY LABOR FORCE DATA 2017-2008) (For the Calendar Year Indicated)

|                        | 2017    | 2016    | 2015    | 2014    | 2013    | 2012    | 2011    | 2010    | 2009    | 2008    |
|------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Civilian Labor Force   | 177,717 | 177,482 | 176,185 | 176,723 | 177,962 | 176,563 | 172,923 | 171,331 | 169,553 | 168,912 |
| Unemployment           | 4,693   | 4,947   | 4,674   | 5,275   | 6,176   | 6,366   | 6,902   | 7,202   | 7,290   | 5,186   |
| Percent of Labor Force | 2.6     | 2.8     | 2.7     | 3.0     | 3.5     | 3.6     | 4.0     | 4.2     | 4.3     | 3.1     |
| Employment             | 173,024 | 172,535 | 171,511 | 171,448 | 171,786 | 170,197 | 166,021 | 164,129 | 162,263 | 163,726 |

### STATE OF NEBRASKA

|                        |     |     |     |     |     |     |     |     |     |     |
|------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Percent of Labor Force |     |     |     |     |     |     |     |     |     |     |
| Unemployment           | 2.9 | 3.1 | 3.0 | 3.3 | 3.8 | 4.0 | 4.4 | 4.6 | 4.6 | 3.3 |

Source: State of Nebraska, Department of Labor

**LINCOLN PRINCIPAL EMPLOYERS  
CURRENT YEAR**

| Employer                                | Employees | Rank | Percentage<br>of Total City<br>Employment |
|---|-----------|------|---|
| State of Nebraska                       | 8,795     | 1    | 4.54 %                                    |
| Lincoln Public Schools                  | 8,557     | 2    | 4.41                                      |
| University of Nebraska-Lincoln          | 6,513     | 3    | 3.36                                      |
| Bryan Health                            | 3,500     | 4    | 1.80                                      |
| US Government                           | 3,454     | 5    | 1.78                                      |
| City of Lincoln                         | 2,653     | 6    | 1.37                                      |
| Saint Elizabeth Regional Medical Center | 2,300     | 7    | 1.19                                      |
| Burlington Northern Railroad            | 2,000     | 8    | 1.03                                      |
| Madonna Rehabilitation Hospital         | 1,500     | 9    | 0.77                                      |
| Duncan Aviation                         | 1,200     | 10   | 0.62                                      |
| Total                                   | 40,472    |      | 20.87 %                                   |

**DEMOGRAPHIC STATISTICS  
LAST TEN YEARS**

| Year | Population <sup>1</sup> | Per Capita<br>Personal<br>Income <sup>2</sup> | School<br>Enrollment <sup>3</sup> |
|------|-------------------------|---|-----------------------------------|
| 2018 | 284,736                 | \$  | 42,020                            |
| 2017 | 280,364                 | 46,924  | 41,737                            |
| 2016 | 277,348                 | 45,511  | 40,109                            |
| 2015 | 272,996                 | 44,133  | 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                            |

Sources:

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

<sup>2</sup> 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 2018 is unavailable.

<sup>3</sup> 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<br/>Customers</u> | <u>Gas<br/>Customers</u> | <u>Electricity<br/>Customers</u> |
|-------------|----------------------------|--------------------------|----------------------------------|
| 2018        | 84,636                     | 99,259                   | 138,489                          |
| 2017        | 83,797                     | 98,600                   | 136,641                          |
| 2016        | 82,853                     | 97,639                   | 134,417                          |
| 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                          |

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      |
|-------------|--------------------|---------------|----------------------|------------------------|----------------------|--------------------|--------------|--------------|-------------|
| 2018        | \$ 59,728,570      | 86,243,206    | 21,746,886           | 27,301,223             | 14,563,832           | 21,863,274         | 18,315,179   | 44,688,559   | 294,450,729 |
| 2017        | 58,560,593         | 81,171,971    | 20,634,650           | 26,730,859             | 13,034,266           | 23,116,621         | 13,439,363   | 45,301,015   | 281,989,338 |
| 2016        | 54,483,582         | 77,399,174    | 20,896,834           | 25,310,935             | 14,012,940           | 22,605,745         | 12,380,084   | 43,165,211   | 270,254,505 |
| 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 |

<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      |
|-------------|------------------------------|--------------------|------------------|----------------------------|---------------------|------------|-------------|
| 2018        | \$ 220,143,985               | 72,965,698         | 25,157,171       | 18,348,789                 | 5,859,234           | 12,953,023 | 355,427,900 |
| 2017        | 213,096,181                  | 74,133,945         | 25,823,013       | 17,102,484                 | 6,868,335           | 14,794,365 | 351,818,323 |
| 2016        | 202,860,560                  | 64,711,049         | 25,704,855       | 16,807,455                 | 6,249,869           | 10,542,628 | 326,876,416 |
| 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 |

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

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

| Fiscal Year<br>Ended<br><u>August 31</u> | Special Assessment<br>Collections<br><u>Including Interest</u> |
|--|--|
| 2018                                     | \$ 1,600,742   |
| 2017                                     | 1,694,846  |
| 2016                                     | 1,585,717  |
| 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  |

<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 2018 tax levy for the 2018-2019 fiscal year is \$165,508,208 below the legal limit, a tax rate per \$100 valuation of .31648. The assessed value upon which the 2018 levy is based is \$21,670,357,076. By charter, only 90% of the property tax levy may be appropriated.

For the 2018-2019 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 2018-2019 the City can also use authority equal to the greater of 2.5% or the amount of real growth in the tax base which was 2.92%. An additional 1% can be authorized by a 75% vote of the City Council but was not utilized for the 2018-2019 budget. The 2018-2019 budget is \$13,348,777 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<br>Ended<br>August 31 | Taxes Levied<br>for the<br>Fiscal Year | Collected within the<br>Fiscal Year of the Levy |         |    | Accumulated Collections<br>As Of August 31, 2018 |         |
|-----------------------------------|--|---|---------|----|--|---------|
|                                   |  | Amount  | Percent |    | Amount   | Percent |
| 2018                              | \$ 64,910,918                          | \$ 63,903,976                                   | 98.45 % | \$ | 63,903,976                                       | 98.45 % |
| 2017                              | 63,002,583                             | 61,735,542                                      | 97.99   |    | 62,995,508                                       | 99.99   |
| 2016                              | 58,972,198                             | 57,685,951                                      | 97.82   |    | 58,944,699                                       | 99.95   |
| 2015                              | 55,476,049                             | 54,235,009                                      | 97.76   |    | 55,450,523                                       | 99.95   |
| 2014                              | 53,880,835                             | 52,616,370                                      | 97.65   |    | 53,865,256                                       | 99.97   |
| 2013                              | 52,460,687                             | 51,226,109                                      | 97.65   |    | 52,432,581                                       | 99.95   |
| 2012                              | 50,168,325                             | 48,788,943                                      | 97.25   |    | 50,123,771                                       | 99.91   |
| 2011                              | 45,597,934                             | 44,206,917                                      | 96.95   |    | 45,558,148                                       | 99.91   |
| 2010                              | 45,211,603                             | 43,791,366                                      | 96.86   |    | 45,183,255                                       | 99.94   |
| 2009                              | 45,916,232                             | 44,385,970                                      | 96.67   |    | 45,873,100                                       | 99.91   |

**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         | 2018<br>Assessed<br>Valuations | Percentage<br>Of Total<br>Assessed<br>Valuation |
|------------------------------|--------------------------|--------------------------------|---|
| B & J Partnership Ltd.       | Building Management      | \$ 144,121,000                 | 0.70%   |
| Burlington Northern          | Railroad                 | 108,165,612                    | 0.53%   |
| Kawasaki                     | Manufacturing            | 71,026,815                     | 0.35%   |
| Nebco                        | Construction/Development | 70,179,982                     | 0.34%   |
| Ameritas Life Insurance Corp | Insurance                | 60,702,594                     | 0.30%   |
| WEA Gateway LLC              | Retail Management        | 53,234,300                     | 0.26%   |
| Windstream                   | Telecommunications       | 49,017,210                     | 0.24%   |
| BryanLGH                     | Hospital                 | 40,519,500                     | 0.20%   |
| Assurity Life Insurance Co.  | Insurance                | 39,159,979                     | 0.19%   |
| Wal-Mart Real Estate Trust   | Retail Management        | 39,070,700                     | 0.19%   |
|                              |                          | <u>\$ 675,197,692</u>          | <u>3.30%</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<br>August 31 | Amount        |
|-------------------------|---------------|
| 2018                    | \$ 76,812,830 |
| 2017                    | 75,259,945    |
| 2016                    | 71,621,717    |
| 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    |

### GENERAL FUND TAX COLLECTIONS LAST TEN YEARS

| Fiscal<br>Year | Property and<br>Motor Vehicle<br>Taxes | Sales and<br>Use Taxes | Sundry<br>Taxes | Taxes<br>In Lieu | Occupation<br>Taxes | Total          |
|----------------|--|------------------------|-----------------|------------------|---------------------|----------------|
| 2018           | \$ 46,009,808                          | \$ 76,812,830          | \$ 31,436       | \$ 2,208,834     | \$ 8,758,996        | \$ 133,821,904 |
| 2017           | 42,669,103                             | 75,259,945             | 33,512          | 2,260,572        | 9,494,397           | 129,717,529    |
| 2016           | 40,564,330                             | 71,621,717             | 26,396          | 2,119,674        | 9,617,902           | 123,950,019    |
| 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     |

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

| Fiscal Year<br>Ended<br>August 31, | Real<br>Estate    | All<br>Other   | Total             |
|------------------------------------|-------------------|----------------|-------------------|
| 2018                               | \$ 19,579,616,741 | \$ 937,318,112 | \$ 20,516,934,853 |
| 2017                               | 18,017,244,843    | 853,580,721    | 18,870,825,564    |
| 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    |

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      |               |               |               |               |               |               |               |               |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | 2018          | 2017          | 2016          | 2015          | 2014          | 2013          | 2012          | 2011          | 2010          | 2009          |
| City of Lincoln                          | 0.3165        | 0.3337        | 0.3196        | 0.3196        | 0.3158        | 0.3158        | 0.3158        | 0.2879        | 0.2879        | 0.2879        |
| School District No. 1                    | 1.2389        | 1.2397        | 1.2429        | 1.2434        | 1.2441        | 1.2447        | 1.2461        | 1.2462        | 1.2537        | 1.2668        |
| Lancaster County                         | 0.2666        | 0.2753        | 0.2783        | 0.2813        | 0.2813        | 0.2843        | 0.2683        | 0.2683        | 0.2683        | 0.2683        |
| Educational Service Unit #18             | 0.0150        | 0.0150        | 0.0150        | 0.0150        | 0.0150        | 0.0150        | 0.0150        | 0.0145        | 0.0150        | 0.0150        |
| Community Technical College              | 0.0907        | 0.0752        | 0.0757        | 0.0598        | 0.0667        | 0.0627        | 0.0627        | 0.0600        | 0.0676        | 0.0722        |
| Lower Platte South Natural Res. Dist.    | 0.0321        | 0.0335        | 0.0345        | 0.0358        | 0.0361        | 0.0378        | 0.0398        | 0.0406        | 0.0410        | 0.0410        |
| Railroad Transportation Safety Dist.     | 0.0222        | 0.0190        | 0.0160        | 0.0130        | 0.0130        | 0.0100        | 0.0260        | 0.0260        | 0.0260        | 0.0260        |
| Lancaster County Correctional JPA City   | 0.0141        | 0.0153        | 0.0156        | 0.0168        | 0.0172        | 0.0177        | 0.0185        | 0.0189        | 0.0194        | 0.0195        |
| Lancaster County Correctional JPA County | 0.0079        | 0.0085        | 0.0088        | 0.0094        | 0.0096        | 0.0099        | 0.0105        | 0.0106        | 0.0107        | 0.0106        |
| Agricultural Society of Lancaster County | 0.0014        | 0.0015        | 0.0015        | 0.0015        | 0.0015        | 0.0015        | 0.0016        | 0.0017        | 0.0016        | 0.0015        |
| Lancaster County Fairgrounds             | 0.0028        | 0.0030        | 0.0031        | 0.0033        | 0.0034        | 0.0037        | 0.0037        | 0.0038        | 0.0038        | 0.0038        |
| Public Building Commission               | 0.0170        | 0.0170        | 0.0170        | 0.0170        | 0.0170        | 0.0167        | 0.0170        | 0.0170        | 0.0170        | 0.0170        |
|  | <u>2.0252</u> | <u>2.0367</u> | <u>2.0280</u> | <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> |

<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, 2018

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>                           |          |   |                       |                     |               |               |                   |
| 8,200   | 02/10/11 | Stormwater Bonds                            | 2.000 - 4.500         | Serial 2013 to 2030 | 2020          | Semiannually  | 5,950             |
| 19,290  | 06/21/11 | Refunding                                   | 0.2000 - 5.000        | Serial 2011 to 2022 | 2019          | "             | 5,375             |
| 8,090   | 06/26/12 | Refunding                                   | 1.000 - 3.000         | Serial 2013 to 2023 | -             | "             | 3,195             |
| 6,385   | 03/20/13 | Stormwater Bonds                            | 2.000 - 4.000         | Serial 2014 to 2029 | 2023          | "             | 4,965             |
| 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 | -             | "             | 4,145             |
| 6,300   | 06/28/16 | Stormwater Bonds                            | 2.000 - 3.000         | Serial 2017 to 2036 | 2026          | "             | 6,025             |
| 4,345   | 09/20/17 | Stormwater Refunding Bonds                  | 2.000 - 5.000         | Serial 2018 to 2027 | -             | "             | 4,105             |
| <b>Total General Bonds</b>                      |          |   |                       |                     |               |               | <b>\$ 35,275</b>  |
| <b>Tax Allocation Bonds:</b>                    |          |   |                       |                     |               |               |                   |
| 2,205   | 04/05/07 | Tax Allocation Bonds                        | 5.000 - 5.550         | Serial 2009 to 2018 | 2012          | Semiannually  | 275               |
| 601   | 06/01/07 | Tax Allocation Bonds                        | 5.240                 | Serial 2008 to 2018 | Anytime       | "             | 407               |
| 42  | 07/15/08 | Tax Allocation Bonds                        | 4.660                 | Serial 2009 to 2021 | Anytime       | "             | 13                |
| 71  | 07/15/08 | Tax Allocation Bonds                        | 4.660                 | Serial 2009 to 2017 | Anytime       | "             | 25                |
| 547   | 08/01/08 | Tax Allocation Bonds                        | 4.610                 | Serial 2009 to 2022 | Anytime       | "             | 196               |
| 200   | 08/01/08 | Tax Allocation Bonds                        | 4.610                 | Serial 2009 to 2022 | Anytime       | "             | 66                |
| 3,375   | 07/28/09 | Tax Allocation Bonds                        | 2.500 - 6.400         | Serial 2011 to 2023 | Anytime       | "             | 1,820             |
| 263   | 04/01/11 | Tax Allocation Bonds                        | 3.990                 | Serial 2011 to 2022 | Anytime       | "             | 112               |
| 103   | 04/15/13 | Tax Allocation Bonds                        | 2.370                 | Serial 2013 to 2025 | Anytime       | "             | 62                |
| 140   | 07/01/16 | Tax Allocation Bonds                        | 2.200                 | Serial 2016 to 2028 | Anytime       | "             | 120               |
| 600   | 12/01/16 | Tax Allocation Bonds                        | 2.300                 | Serial 2018 to 2021 | Anytime       | "             | 539               |
| 110   | 05/01/17 | Tax Allocation Bonds                        | 2.740                 | Serial 2018 to 2024 | Anytime       | "             | 103               |
| <b>Total Tax Allocation Bonds</b>               |          |   |                       |                     |               |               | <b>\$ 3,738</b>   |
| <b>Tax Supported Bonds:</b>                     |          |   |                       |                     |               |               |                   |
| 28,095  | 06/06/12 | Highway Allocation Fund Refunding           | 1.000 - 5.000         | Serial 2012 to 2023 | na            | Semiannually  | 16,265            |
| 14,735  | 12/15/16 | Highway Allocation Fund Refunding           | 2.000 - 5.000         | Serial 2018 to 2027 | na            | "             | 13,445            |
| 16,515  | 07/23/13 | Limited Tax Arena Bonds                     | 2.000 - 4.500         | Serial 2016 to 2031 | 2023          | "             | 13,810            |
| 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>\$ 52,005</b>  |
| <b>Special Assessment Bonds:</b>                |          |   |                       |                     |               |               |                   |
| 825   | 08/18/11 | Special Assessment                          | 0.400 - 3.700         | Serial 2012 to 2026 | 2016          | Semiannually  | 475               |
| 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          | "             | 2,105             |
| <b>Total Special Assessment Bonds</b>           |          |   |                       |                     |               |               | <b>\$ 2,955</b>   |
| <b>West Haymarket Joint Public Agency</b>       |          |   |                       |                     |               |               |                   |
| 31,515  | 09/08/10 | Facility Bonds Taxable Build America Bonds  | 3.500 - 4.45          | Serial 2020 to 2030 | Anytime       | Semiannually  | 31,515            |
| 68,485  | 09/08/10 | Facility Bonds Taxable Build America Bonds  | 4.750 / 5.000         | Term 2035 & 2045    | Anytime       | "             | 68,485            |
| 15,785  | 12/01/10 | Facility Bonds Taxable Build America Bonds  | 4.000 - 5.000         | Serial 2020 - 2025  | Anytime       | "             | 15,785            |
| 52,180  | 12/01/10 | Facility Bonds Taxable Build America Bonds  | 5.400 / 5.800 / 6.000 | Term 2030 2035 2039 | Anytime       | "             | 52,180            |
| 32,035  | 12/01/10 | Recovery Zone Economic Development          | 6.750                 | Term 2045           | Anytime       | "             | 32,035            |
| 44,290  | 08/24/11 | Facility Bonds                              | 3.500 - 5.000         | Serial 2021 to 2032 | 2021          | "             | 44,290            |
| 55,710  | 08/24/11 | Facility Bonds                              | 4.250 - 5.000         | Term 2036 & 2042    | 2021          | "             | 55,710            |
| 20,850  | 12/04/13 | Facility Bonds                              | 2.000 - 5.000         | Serial 2014 to 2038 | 2023          | "             | 18,655            |
| 7,325   | 12/04/13 | Facility Bonds                              | 4.500                 | Term 2043           | 2023          | "             | 7,325             |
| <b>Total West Haymarket Joint Public Agency</b> |          |   |                       |                     |               |               | <b>\$ 325,980</b> |
| <b>TOTAL GENERAL OBLIGATION BONDS</b>           |          |   |                       |                     |               |               | <b>\$ 419,953</b> |
| <b>Revenue Bonds:</b>                           |          |   |                       |                     |               |               |                   |
| 38,290  | 05/24/12 | Wastewater Revenue Refunding                | 1.000 - 5.000         | Serial 2013 to 2028 | 2023          | Semiannually  | \$ 25,570         |
| 12,220  | 04/09/15 | Wastewater Revenue Refunding                | 1.000 - 4.000         | Serial 2016 to 2030 | 2025          | "             | 10,110            |
| 13,235  | 09/13/17 | Wastewater Revenue Refunding                | 2.000 - 5.000         | Serial 2018 to 2032 | 2027          | "             | 12,755            |
| <b>Total Wastewater Bonds</b>                   |          |   |                       |                     |               |               | <b>\$ 48,435</b>  |
| 10,515  | 08/04/09 | Water Revenue                               | 2.000 - 4.125         | Serial 2013 to 2029 | 2019          | Semiannually  | 7,530             |
| 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           | "             | 4,575             |
| 28,595  | 05/30/13 | Water Revenue Refunding                     | 1.000 - 5.000         | Serial 2013 to 2025 | 2023          | "             | 17,240            |
| <b>Total Water Bonds</b>                        |          |   |                       |                     |               |               | <b>\$ 34,250</b>  |
| 7,745   | 01/27/11 | Parking Revenue and Refunding               | 2.000 - 5.000         | Serial 2015 to 2024 | 2021          | Semiannually  | 5,480             |
| 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          | "             | 4,970             |
| 2,765   | 11/29/12 | Parking Revenue and Refunding               | 3.00                  | Term 2032           | 2022          | "             | 2,765             |
| <b>Total Parking Bonds</b>                      |          |   |                       |                     |               |               | <b>\$ 23,990</b>  |
| 8,340   | 02/26/13 | Solid Waste Management Revenue and Refundin | .250 - 4.000          | Serial 2013 to 2029 | 2023          | Semiannually  | 5,060             |
| 5,520   | 07/08/15 | Solid Waste Management Revenue              | 2.000 - 5.000         | Serial 2016 to 2035 | 2025          | "             | \$ 4,845          |
| <b>Total Solid Waste Management Bonds</b>       |          |   |                       |                     |               |               | <b>\$ 9,905</b>   |
| 93,045  | 10/01/03 | Electric Revenue and Refunding Bonds        | 3.000 - 5.000         | Serial 2004 to 2026 | 2013          | Semiannually  | 1,150             |
| 247,150   | 08/15/12 | Electric Revenue and Refunding Bonds        | 1.000 - 5.000         | Serial 2013 to 2032 | 2022          | "             | 186,855           |
| 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            |
| 127,630   | 03/11/15 | Electric Revenue and Refunding Bonds        | 3.000 - 5.000         | Serial 2019 to 2036 | 2025          | "             | 127,090           |
| 40,170  | 03/11/15 | Electric Revenue and Refunding Bonds        | 4.00                  | Term 2040           | 2025          | "             | 40,710            |
| 116,645   | 09/01/16 | Electric Revenue Refunding Bonds            | 3.000 - 5.000         | Serial 2017 to 2034 | 2027          | "             | 99,575            |
| <b>Total Electric Bonds</b>                     |          |   |                       |                     |               |               | <b>\$ 561,070</b> |
| <b>TOTAL REVENUE BONDS</b>                      |          |   |                       |                     |               |               | <b>\$ 677,650</b> |

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

| Fiscal<br>Year Ended<br>August 31 | Governmental Activities  |                |                |              |
|-----------------------------------|--------------------------|----------------|----------------|--------------|
|                                   | General Obligation Bonds |                | Capital Leases |              |
|                                   | Principal                | Interest       | Principal      | Interest     |
| 2019                              | \$ 10,832                | 19,529         | 5,497          | 1,023        |
| 2020                              | 10,852                   | 19,190         | 5,259          | 898          |
| 2021                              | 14,548                   | 18,758         | 4,524          | 772          |
| 2022                              | 18,005                   | 18,152         | 4,562          | 639          |
| 2023                              | 18,673                   | 17,408         | 3,943          | 508          |
| 2024-2028                         | 75,587                   | 76,497         | 12,507         | 920          |
| 2029-2033                         | 71,391                   | 60,824         | 1,198          | 53           |
| 2034-2038                         | 78,380                   | 43,392         | -              | -            |
| 2039-2043                         | 86,260                   | 22,351         | -              | -            |
| 2044-2048                         | 35,425                   | 3,068          | -              | -            |
|                                   | <u>\$ 419,953</u>        | <u>299,169</u> | <u>37,490</u>  | <u>4,813</u> |

| Fiscal<br>Year Ended<br>August 31 | Business-Type Activities |                |               |              |                |           |
|-----------------------------------|--------------------------|----------------|---------------|--------------|----------------|-----------|
|                                   | Revenue Bonds            |                | Loans Payable |              | Capital Leases |           |
|                                   | Principal                | Interest       | Principal     | Interest     | Principal      | Interest  |
| 2019                              | \$ 29,360                | 28,690         | 2,005         | 680          | 330            | 23        |
| 2020                              | 32,930                   | 27,404         | 2,043         | 642          | 337            | 18        |
| 2021                              | 38,910                   | 25,928         | 2,083         | 602          | 340            | 11        |
| 2022                              | 40,345                   | 24,144         | 2,123         | 561          | 234            | 5         |
| 2023                              | 41,135                   | 22,355         | 2,164         | 519          | 24             | 2         |
| 2024-2028                         | 184,190                  | 86,079         | 10,471        | 1,947        | 25             | 1         |
| 2029-2033                         | 157,195                  | 52,130         | 10,668        | 786          | -              | -         |
| 2034-2038                         | 112,875                  | 20,671         | 1,415         | 21           | -              | -         |
| 2039-2043                         | 40,710                   | 3,299          | -             | -            | -              | -         |
|                                   | <u>\$ 677,650</u>        | <u>290,700</u> | <u>32,972</u> | <u>5,758</u> | <u>1,290</u>   | <u>60</u> |

| Fiscal<br>Year Ended<br>August 31 | Major Enterprise Funds |               |               |               |                 |                |
|-----------------------------------|------------------------|---------------|---------------|---------------|-----------------|----------------|
|                                   | Wastewater System      |               | Water System  |               | Electric System |                |
|                                   | Principal              | Interest      | Principal     | Interest      | Principal       | Interest       |
| 2019                              | \$ 4,879               | 2,145         | 4,637         | 1,607         | 19,480          | 24,247         |
| 2020                              | 4,989                  | 2,032         | 4,792         | 1,438         | 22,750          | 23,273         |
| 2021                              | 5,123                  | 1,887         | 4,981         | 1,240         | 28,615          | 22,166         |
| 2022                              | 5,275                  | 1,728         | 4,817         | 1,076         | 30,045          | 20,735         |
| 2023                              | 5,446                  | 1,550         | 3,972         | 921           | 31,455          | 19,328         |
| 2024-2028                         | 29,532                 | 4,705         | 12,469        | 2,847         | 139,975         | 76,632         |
| 2029-2033                         | 12,486                 | 800           | 8,902         | 1,259         | 137,025         | 49,837         |
| 2034-2038                         | 510                    | 6             | 1,984         | 64            | 111,015         | 20,583         |
| 2039-2043                         | -                      | -             | -             | -             | 40,710          | 3,299          |
|                                   | <u>\$ 68,240</u>       | <u>14,853</u> | <u>46,554</u> | <u>10,452</u> | <u>561,070</u>  | <u>260,100</u> |

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

Net position of \$3,779,454, \$4,268,572, \$931,078, and \$2,249,927 is currently available in the debt service funds to service the Tax Allocation Bonds, General Obligation Bonds, Tax Supported 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<br>Activities | Business-Type<br>Activities |
|--|----------------------------|-----------------------------|
| Land   | \$ 1,780,066               | \$ 199,546                  |
| Buildings  | 28,980,700                 | 1,647,945                   |
| Improvements   | 5,070,465                  | -                           |
| Infrastructure                                       | 31,312,535                 | -                           |
| Machinery and Equipment                              | 10,960,176                 | 2,955,644                   |
| Construction In Progress                             |                            | -                           |
| Less Accumulated Depreciation,<br>(where applicable) | (19,622,772)               | (2,696,482)                 |
| Total  | \$ 58,481,170              | \$ 2,106,653                |

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, 2018, is summarized below (unaudited):

|  | Debt<br>Outstanding | Estimated<br>Percentage<br>Applicable | Direct And<br>Overlapping Debt<br>To The City |
|--|---------------------|---------------------------------------|---|
| <b><u>Governmental Units</u></b>       |                     |                                       |   |
| Direct:                                |                     |                                       |   |
| City                                   | \$ 469,660,000      | 100.0 %                               | \$ 469,660,000                                |
| Overlapping:                           |                     |                                       |   |
| School District #1                     | 382,467,134         | 99.5                                  | 380,555,000                                   |
| Public Building Commission             | 33,060,000          | 85.4                                  | 28,233,000                                    |
| Lancaster County Correctional Facility | 36,275,000          | 85.4                                  | 30,979,000                                    |
| Lancaster County Fairgrounds           | 8,340,000           | 85.4                                  | 7,122,000                                     |
|  | 460,142,134         |                                       | 446,889,000                                   |
| Total                                  | \$ 929,802,134      |                                       | \$ 916,549,000                                |

The City has no direct liability for the School District, Public Building Commission, Lancaster County Fairgrounds or Lancaster County Correctional Facility debt summarized above. This results in a per capita direct City debt of \$1,649.46; a per capita direct and overlapping debt of \$3,218.94; a ratio of direct City debt to 2018 actual valuation of 2.29 percent; and a ratio of direct and overlapping debt to 2018 actual valuation of 4.47 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, 2018, the Airport Authority had outstanding \$52,500,000 in aggregate principal amount of its general obligation airport bonds. The bonds are secured by a pledge of all revenues and income derived by the Airport Authority directly or indirectly from the ownership, use and operations of the Airport. 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     | Total Debt Service | Total General Governmental Expenditures | Ratio Of Debt Service To Total General Expenditures |
|-------------|---------------|--------------|--------------------|---|---|
| 2018        | \$ 10,687,368 | \$ 3,611,998 | \$ 14,299,366      | \$ 294,450,729                          | 4.86%   |
| 2017        | 10,705,534    | 4,074,708    | 14,780,242         | 281,989,338                             | 5.24%   |
| 2016        | 11,709,540    | 4,472,154    | 16,181,694         | 270,254,505                             | 5.99%   |
| 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%   |

<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 YEAR**

| Fiscal Year | General Obligation Bonded Debt | Sinking Funds | Net General Obligation Bonded Debt | Population | Net G.O. Bonded Debt Per Capita | Assessed Valuation Real And Personal | Ratio of Net Debt To Assessed Valuation Real & Personal | Assessed Valuation Of Taxable Real Property | Ratio of Net Debt To Estimated Valuation Of Taxable Real Property |
|-------------|--------------------------------|---------------|------------------------------------|------------|---------------------------------|--------------------------------------|---|---|---|
| 2018        | \$ 93,973,000                  | \$ 9,261,000  | \$ 84,712,000                      | 284,736    | \$ 297.51                       | \$ 20,516,934,853                    | 0.41%   | \$ 19,579,616,741                           | 0.43%   |
| 2017        | 105,391,000                    | 8,221,000     | 97,170,000                         | 280,364    | 346.59                          | 18,870,825,564                       | 0.51%   | 18,017,244,843                              | 0.54%   |
| 2016        | 116,036,000                    | 8,328,000     | 107,708,000                        | 277,348    | 388.35                          | 18,457,318,752                       | 0.58%   | 17,618,385,582                              | 0.61%   |
| 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%   |

<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><u>Wastewater System</u></b>               |    |            |            |            |                           |           |           |          |
| 2018  | \$ | 32,381,312 | 14,863,221 | 17,518,091 | 4,599,602                 | 2,361,501 | 6,961,103 | 2.52     |
| 2017  |    | 30,516,105 | 14,726,200 | 15,789,905 | 4,761,635                 | 2,619,980 | 7,381,615 | 2.14     |
| 2016  |    | 29,026,442 | 14,019,061 | 15,007,381 | 4,562,314                 | 2,847,529 | 7,409,843 | 2.03     |
| 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     |
| <b><u>Water System</u></b>                    |    |            |            |            |                           |           |           |          |
| 2018  | \$ | 41,473,196 | 17,768,444 | 23,704,752 | 4,517,445                 | 1,877,042 | 6,394,487 | 3.71     |
| 2017  |    | 38,494,901 | 17,893,434 | 20,601,467 | 4,408,451                 | 2,021,708 | 6,430,159 | 3.20     |
| 2016  |    | 37,985,431 | 16,969,116 | 21,016,315 | 4,344,979                 | 2,123,747 | 6,468,726 | 3.25     |
| 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     |
| <b><u>Parking Facilities</u></b> <sup>1</sup> |    |            |            |            |                           |           |           |          |
| 2018  | \$ | 12,691,925 | 5,152,321  | 7,539,604  | 1,345,000                 | 1,066,890 | 2,411,890 | 3.13     |
| 2017  |    | 12,674,910 | 4,905,848  | 7,769,062  | 1,320,000                 | 1,095,315 | 2,415,315 | 3.22     |
| 2016  |    | 10,697,157 | 4,575,662  | 6,121,495  | 1,290,000                 | 1,130,215 | 2,420,215 | 2.53     |
| 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     |
| <b><u>Solid Waste Management</u></b>          |    |            |            |            |                           |           |           |          |
| 2018  | \$ | 12,863,464 | 9,083,674  | 3,779,790  | 810,000                   | 366,796   | 1,176,796 | 3.21     |
| 2017  |    | 12,697,221 | 9,460,290  | 3,236,931  | 795,000                   | 382,096   | 1,177,096 | 2.75     |
| 2016  |    | 12,371,412 | 7,896,480  | 4,474,932  | 775,000                   | 396,521   | 1,171,521 | 3.82     |
| 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     |

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



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

|  | F.Y. 2018            | F.Y. 2017          | F.Y. 2016          | F.Y. 2015          | F.Y. 2014          | F.Y. 2013          | F.Y. 2012          | F.Y. 2011          | F.Y. 2010          | F.Y. 2009          |
|--|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Cash & Investment Balance -<br>September 1 of Year Indicated | \$ 40,447,532        | 38,315,059         | 36,190,807         | 32,471,866         | 25,932,021         | 22,789,222         | 16,942,409         | 14,597,487         | 16,286,626         | 15,738,481         |
| Receipts:  |                      |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Property Tax   | 46,009,808           | 42,669,103         | 40,564,330         | 37,333,435         | 37,428,736         | 34,599,257         | 33,574,992         | 31,449,267         | 31,486,553         | 33,783,984         |
| City Sales & Use Tax   | 76,812,830           | 75,259,945         | 71,621,717         | 68,861,600         | 66,393,392         | 63,134,808         | 61,472,342         | 57,959,545         | 54,925,013         | 54,255,376         |
| Other Income   | <u>38,470,133</u>    | <u>37,291,708</u>  | <u>37,383,280</u>  | <u>38,281,650</u>  | <u>36,929,588</u>  | <u>36,298,994</u>  | <u>36,542,477</u>  | <u>33,232,580</u>  | <u>27,906,103</u>  | <u>27,389,492</u>  |
| Total Receipts   | 161,292,771          | 155,220,756        | 149,569,327        | 144,476,685        | 140,751,716        | 134,033,059        | 131,589,811        | 122,641,392        | 114,317,669        | 115,428,852        |
| Less Disbursements   | <u>157,404,058</u>   | <u>153,088,283</u> | <u>147,445,075</u> | <u>140,757,744</u> | <u>134,211,871</u> | <u>130,890,260</u> | <u>125,742,998</u> | <u>120,296,470</u> | <u>116,006,808</u> | <u>114,880,707</u> |
| Cash & Investment Balance -<br>August 31 of Year Indicated   | <u>\$ 44,336,245</u> | <u>40,447,532</u>  | <u>38,315,059</u>  | <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>  |

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. 2018</u>    | <u>F.Y. 2017</u> | <u>F.Y. 2016</u> | <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> |
|---|---------------------|------------------|------------------|-------------------|------------------|------------------|-------------------|-------------------|------------------|------------------|
| Cash Balance - September 1<br>of Year Indicated | \$ 3,663,200        | 3,361,571        | 3,572,272        | 3,561,702         | 3,883,237        | 3,929,968        | 2,234,981         | 2,941,245         | 3,533,968        | 4,201,889        |
| Receipts:                                       |                     |                  |                  |                   |                  |                  |                   |                   |                  |                  |
| Property Tax                                    | 6,370,523           | 6,298,844        | 5,829,094        | 6,214,882         | 5,558,081        | 5,594,005        | 5,773,392         | 5,337,610         | 5,517,878        | 5,689,007        |
| Interest Income                                 | 22,655              | 12,163           | 9,711            | 8,214             | 10,126           | 8,507            | 13,723            | 28,331            | 60,063           | 131,475          |
| Bond Proceeds                                   | 5,016,382           |                  |                  | 6,092,475         |                  |                  | 8,369,497         | 20,236,484        |                  |                  |
| Other Income                                    | <u>6,135</u>        | <u>3,769</u>     | <u>98,043</u>    | <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>   |
| Total Receipts                                  | <u>11,415,695</u>   | <u>6,314,776</u> | <u>5,936,848</u> | <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> |
| Disbursements:                                  |                     |                  |                  |                   |                  |                  |                   |                   |                  |                  |
| Bonds Paid                                      | 4,775,000           | 4,590,000        | 4,730,000        | 4,355,000         | 4,240,000        | 4,225,000        | 2,390,000         | 2,720,000         | 4,110,000        | 4,320,000        |
| Bonds Defeased                                  |                     |                  |                  |                   |                  |                  |                   |                   |                  |                  |
| Interest Paid                                   | 1,170,162           | 1,420,473        | 1,414,275        | 1,500,213         | 1,745,495        | 1,521,904        | 1,822,197         | 1,753,957         | 2,178,545        | 2,335,411        |
| Transfer to Trustee                             | 4,956,976           |                  |                  | 5,990,206         |                  |                  | 8,242,367         | 21,746,822        |                  |                  |
| Other Disbursements                             | <u>283,871</u>      | <u>2,674</u>     | <u>3,274</u>     | <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>     |
| Total Disbursements                             | <u>11,186,009</u>   | <u>6,013,147</u> | <u>6,147,549</u> | <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> |
| Cash Balance - August 31<br>of Year Indicated   | \$ <u>3,892,886</u> | <u>3,663,200</u> | <u>3,361,571</u> | <u>3,572,272</u>  | <u>3,561,702</u> | <u>3,883,237</u> | <u>3,929,968</u>  | <u>2,234,981</u>  | <u>2,941,245</u> | <u>3,533,968</u> |

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

|   | F.Y. 2018        | F.Y. 2017        | F.Y. 2016        | F.Y. 2015        | F.Y. 2014        | F.Y. 2013        | F.Y. 2012        | F.Y. 2011      | F.Y. 2010        | F.Y. 2009        |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|----------------|------------------|------------------|
| Cash & Investment Balance -<br>September 1 of Year Indicated \$ | 2,768,599        | 2,195,823        | 2,133,866        | 2,619,720        | 2,509,487        | 2,348,773        | 759,180          | 4,302,257      | 4,161,711        | 11,148,146       |
| Receipts:   |                  |                  |                  |                  |                  |                  |                  |                |                  |                  |
| Special Assessment Collections                                  | 1,429,730        | 1,497,442        | 1,420,191        | 1,394,764        | 1,521,959        | 941,365          | 1,049,570        | 996,209        | 984,301          | 954,672          |
| Interest on Special Assessments                                 | 165,098          | 180,258          | 161,882          | 193,995          | 53,761           | 78,642           | 98,844           | 106,379        | 148,383          | 112,749          |
| City's Share of Costs   | 1,039,944        | 1,422,840        | 1,509,919        | 901,883          | 783,436          | 1,205,443        | 621,898          | 233,615        | 292,420          | 34,802           |
| Developers' Share of Costs                                      |                  |                  |                  |                  |                  |                  |                  |                |                  |                  |
| Bond Proceeds   |                  |                  |                  |                  |                  |                  | 3,036,003        | 1,200,000      |                  |                  |
| Interest on Investments   | 34,326           | 21,763           | 18,537           | 19,392           | 40,673           | 41,212           | 47,349           | 60,248         | 135,149          | 335,273          |
| Miscellaneous   |                  | 301,716          | 188,457          | 82,000           | 733              |                  |                  | 38,456         |                  |                  |
| Total Receipts  | 2,669,098        | 3,424,019        | 3,298,986        | 2,592,034        | 2,400,562        | 2,266,662        | 4,853,664        | 2,634,907      | 1,560,253        | 1,437,496        |
| Disbursements:  |                  |                  |                  |                  |                  |                  |                  |                |                  |                  |
| Construction Costs  | 1,500,618        | 1,294,057        | 1,829,379        | 1,880,449        | 1,213,770        | 901,811          | 2,359,096        | 2,081,765      | 1,113,691        | 861,203          |
| Bonds Paid  | 180,000          | 180,000          | 175,000          | 175,000          | 175,000          | 170,000          | 190,000          |                |                  |                  |
| Equity Transfer   |                  |                  |                  |                  |                  |                  |                  |                |                  | 7,554,009        |
| Interest Paid on Bonds & Notes                                  | 99,448           | 102,923          | 106,123          | 109,122          | 112,023          | 114,722          | 94,911           | 3,758,342      |                  |                  |
| Other Refunds & Expenses  | 1,076,609        | 1,274,263        | 1,126,527        | 913,317          | 789,536          | 919,415          | 620,064          | 337,877        | 306,016          | 8,719            |
| Total Disbursements   | 2,856,675        | 2,851,243        | 3,237,029        | 3,077,888        | 2,290,329        | 2,105,948        | 3,264,071        | 6,177,984      | 1,419,707        | 8,423,931        |
| Cash & Investment Balance -<br>August 31 of Year Indicated \$   | <u>2,581,022</u> | <u>2,768,599</u> | <u>2,195,823</u> | <u>2,133,866</u> | <u>2,619,720</u> | <u>2,509,487</u> | <u>2,348,773</u> | <u>759,180</u> | <u>4,302,257</u> | <u>4,161,711</u> |

## **APPENDIX B**

### **FINANCIAL STATEMENTS**



# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED  
AUGUST 31, 2018**

**CITY OF  
LINCOLN<sup>™</sup>  
NEBRASKA**

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT**

**OF THE  
CITY OF LINCOLN, NEBRASKA**

**FOR THE FISCAL YEAR ENDED AUGUST 31, 2018**

Prepared by:

The Accounting Division of the Finance Department

## **INTRODUCTORY SECTION**

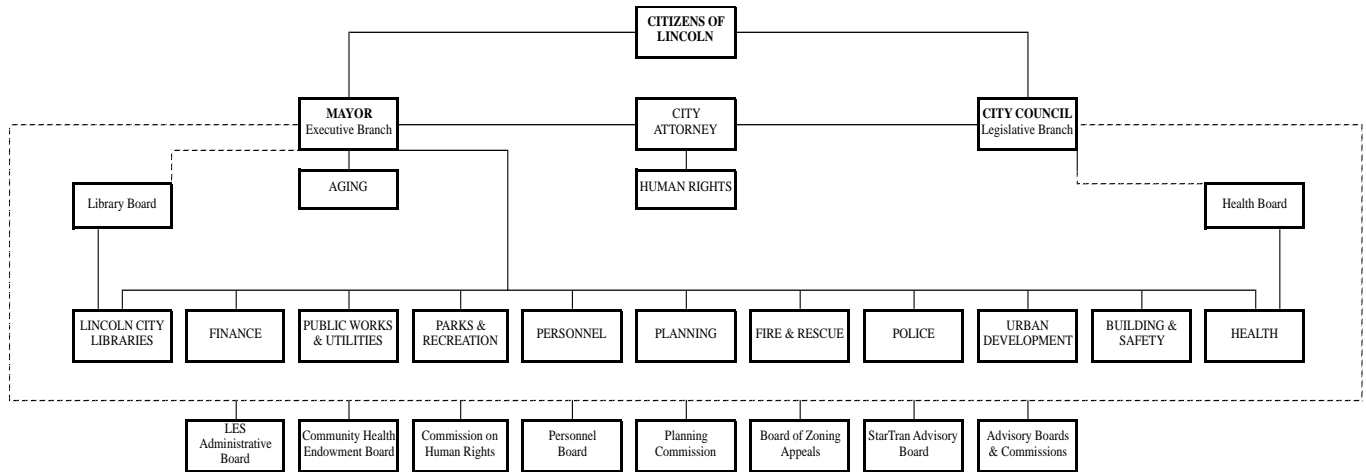
## OFFICIALS OF THE CITY OF LINCOLN

|                            |                          |
|----------------------------|--------------------------|
| Chris Beutler .....        | Mayor                    |
| Bernie Shobe .....         | Chair, City Council      |
| Cyndi Lamm .....           | Vice Chair, City Council |
| Leirion Gaylor Baird ..... | Council Member           |
| Jon Camp .....             | Council Member           |
| Roy Christensen .....      | Council Member           |
| Carl Eskridge .....        | Council Member           |
| Jane Raybould .....        | Council Member           |
| *   *   *   *   *   *      |                          |

|                           |                                       |
|---------------------------|---------------------------------------|
| Brandon Kauffman .....    | Finance Director                      |
| David Cary .....          | Planning Director                     |
| Lynn Johnson .....        | Parks and Recreation Director         |
| Kevin Wailes .....        | Lincoln Electric System Administrator |
| David Landis .....        | Urban Development Director            |
| Pat Leach .....           | Library Director                      |
| Miki Esposito .....       | Public Works/Utilities Director       |
| Chad Blahak .....         | Building and Safety Director          |
| Shavonna Lausterer .....  | Health Director                       |
| Douglas McDaniel .....    | Personnel Director                    |
| Jeffery Kirkpatrick ..... | City Attorney                         |
| Tom Casady .....          | Public Safety Director                |
| Jeff Bliemeister .....    | Chief of Police                       |
| Michael Despain .....     | Fire Chief                            |

\*   \*   \*   \*   \*   \*

## CITY OF LINCOLN ORGANIZATION CHART





**CITY OF LINCOLN, NEBRASKA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2018  
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**MAYOR CHRIS BEUTLER**

555 South 10th Street - Suite 301 Lincoln, NE 68508  
402.441.7511 fax: 402.441.7120 [lincoln.ne.gov](http://lincoln.ne.gov)

February 15, 2019

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, 2018.

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 unmodified audit opinion that follows. I am proud to report that the 2017 report submitted to the Government Finance Officers Association was recognized with the prestigious Certificate of Achievement for Excellence in Financial Reporting for the 35th 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, sweeping underline that extends to the right.

Chris Beutler  
Mayor of Lincoln

February 15, 2019

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, 2018, 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 Title 2 U.S. Code of Federal Regulations Part 200, requires local governments that expend \$750,000 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, 2018, 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, 2018, 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 98 square miles, serves a population of approximately 285,000, 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 center; 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, Pinnacle Bank Arena, Broadband Enterprise, 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 Fund, and West Haymarket Joint Public Agency.

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 2010 and 2017 has been 9.9% or approximately 1.35% per year. The 2017 population of Lancaster County has been estimated to be in excess of 314,000 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, 2018, was 2.6%, well below the national average of 3.9%, with employment strongest in the categories of government, educational & health services, and retail trade. Lincoln's current number of construction permits is up 10.5% when compared to levels 5 years ago.

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

Net sales and use tax revenue increased \$1,485,105 or 2% from the previous fiscal year, of which \$13,020,583 comes from a voter approved .25% tax increase, effective October 1, 2015, to fund replacement of the City's emergency 911 radio system and the construction and/or relocation of four fire stations.

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

### **Urban Development**

The City anticipates approximately \$60 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, the Antelope Valley project area, older commercial areas, and in low-to-moderate income neighborhoods throughout the City.

Public financing will be provided by a variety of sources, including Tax Increment Financing (TIF), Parking Revenues, CDBG and HOME federal 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:

- The parking and occupancy studies performed by the Parking Services Division resulted in the selection of Block 65 as the best location for the proposed parking garage. Site acquisition required the purchase of an existing parking facility, the land beneath that structure, and two adjacent surface parking lots. Completion of the purchase of the site is scheduled for February 2019. Parking Services intends to operate the existing parking garage and surface lots until the first quarter of 2021. At that time the structure will be closed and demolition of the parking garage and subsequent site preparation will



commence. The construction of the new parking facility is expected to take 24 months. Anticipated occupancy of the new structure is June 1, 2023.

- Downtown Redevelopment Projects:
  - 1) West Haymarket, Block 4 project.
  - 2) West Haymarket, Block 5 project.
  - 3) Pershing Redevelopment project.
  - 4) South Haymarket streetscape.
  - 5) 11th and P redevelopment project.
  - 6) 9th and P redevelopment project.
  - 7) Lied Place redevelopment project
- Antelope Valley Redevelopment Projects:
  - 1) Telegraph District redevelopment.
  - 2) Viet Hao Grocery redevelopment.
  - 3) Antelope Square housing.
  - 4) Hoppe Block redevelopment.
- University Place redevelopment:
  - 1) Former Green's Plumbing site.
- West O Street redevelopment (Lincoln Sports Complex project).
- N 27th Street Redevelopment Project, 28th & Vine Container Housing.
- Havelock Redevelopment Project, 6117 Havelock Avenue Façade.
- NW Corridor redevelopment (West Cornhusker Highway).
- Innovation Campus redevelopment.
- 56th and Arbor Road redevelopment.
- North Cotner redevelopment.
- VA Victory Park redevelopment.

Ongoing and anticipated Livable Neighborhood projects include:

- 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 other non-profit and for-profit housing organizations for affordable housing projects in low-to-moderate income neighborhoods.
  - 3) Continue RESCUE program for neglected/problem properties.
  - 4) Coordinate with other City Departments to implement neighborhood improvement projects in focused geographic areas. Projects may include, but are not limited to, infrastructure, parks, trails and housing improvements.

Ongoing and anticipated Administration projects include:

- Real estate major acquisition, negotiation and relocation projects:
  - 1) For effective transportation:
    - ✓ NW 48th and Vine.
    - ✓ Pine Lake Road, 61st to Hwy 2.
    - ✓ Rokeby Road, 40th to 56th and 70th to 84th Streets.
    - ✓ 14th and Cornhusker Hwy safety project.
    - ✓ 33rd and Cornhusker Hwy RTSD project.
    - ✓ 14th/Old Cheney/Warlick intersection.
    - ✓ South 84th, Hwy 2 to Rokeby Road.
    - ✓ East Beltway preliminary acquisitions.
    - ✓ South 40th Street Improvements.

- ✓ South Beltway preliminary acquisitions.
  - ✓ 66th & Fremont safety project.
  - ✓ West A Street, Folsom to SW 40th Street, 2 Phases: East/West.
  - ✓ New LFR & LPD station acquisitions/surplus.
  - ✓ StarTran site acquisition and bus shelter projects.
  - ✓ Arterial/residential rehabs, executive order, traffic signals & bridge replacement.
  - ✓ 56th & Yankee Hill Road Improvements.
- 2) For environmental quality:
- ✓ Park sites citywide, Stone Bridge bike trail and Prairie Corridor, Jensen Park, Salt Creek wetland acquisitions.
  - ✓ Stevens Creek Phase V, Cardwell branch, Beal Slough Trunk Sewer and miscellaneous sanitary sewer upgrade projects.
  - ✓ 98th Street water main, Holdrege to Alvo.
  - ✓ 56th & Morton, Dead Man's Run 46th & High/Hillside, 84th & Glynoak and conservation easements, wetlands acquisitions and storm water improvements.
- 3) Relocation activities:
- ✓ 14th/Old Cheney/Warlick intersection project.
  - ✓ Downtown library site project.
  - ✓ Downtown parking garage sites project.
  - ✓ West A widening project.

### 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 to date is approximately \$365 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.

### Wastewater System

The Lincoln Wastewater System is projecting a capital improvements program in the amount of approximately \$97,536,000 over the 5-year period of fiscal year 2018-19 through fiscal year 2022-23. Funding for these projects will come from impact fees, revenue bonds, and 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 \$111,813,500 over the 5-year period of fiscal year 2018-19 through 2022-23. These projects will be financed through impact fees, revenue bonds, and utility revenues. 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 2019-2023 Streets and Highways capital improvements program and Transportation improvement program identify average annual expenditures of \$43 million for the next five years. Funding for these projects includes \$137 million in City revenues, \$30 million in federal aid, and \$50 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 are set and adopted by the City Council.

### 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, 2018, current tax collections by the County Treasurer were 98.45% of the tax levy, an increase of .46% from last year. Allocations of property tax levy by purpose are as follows:

| <u>City Tax Levy by Purpose</u> | <u>2017-2018</u> | <u>2016-2017</u> | <u>2015-2016</u> |
|---------------------------------|------------------|------------------|------------------|
| General Fund                    | .1930            | .1990            | .1957            |
| Library                         | .0413            | .0444            | .0421            |
| Social Security                 | .0146            | .0158            | .0144            |
| Police and Fire Pension         | .0367            | .0402            | .0352            |
| Unemployment Compensation       | .0003            | .0003            | .0003            |
| General Obligation Debt         | .0306            | .0340            | .0319            |
| Total                           | <u>.3165</u>     | <u>.3337</u>     | <u>.3196</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       | 1,057                   | November, 1978     |
| Cornhusker Square | 390                     | December, 1983     |
| University Square | 432                     | 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 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>2017-2018</u> | <u>2016-2017</u> |
|----------------------------------|------------------|------------------|
| Operating Revenues               | \$12,511,615     | 12,583,732       |
| Net Earnings Before Depreciation | 7,539,604        | 7,769,062        |
| Debt Service                     | 2,483,115        | 2,483,115        |
| Debt Service Coverage Ratio      | 3.04             | 3.13             |

### **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, 2018, the City estimates that it will incur costs approximating \$30 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>2017-2018</u> | <u>2016-2017</u> |
|------------------------------------|------------------|------------------|
| Operating Revenues                 | \$31,409,050     | 29,599,243       |
| Operating Income                   | 7,730,640        | 6,287,353        |
| Revenue Available For Debt Service | 17,518,091       | 15,789,905       |
| Debt Service                       | 6,961,103        | 7,381,615        |
| Debt Service Coverage Ratio        | 2.52             | 2.14             |

The City's Water 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>Water System</u>                | <u>2017-2018</u> | <u>2016-2017</u> |
|------------------------------------|------------------|------------------|
| Operating Revenues                 | \$38,981,816     | 36,222,398       |
| Operating Income                   | 12,366,484       | 9,663,620        |
| Revenue Available For Debt Service | 23,704,752       | 20,601,467       |
| Debt Service                       | 6,394,487        | 6,430,159        |
| Debt Service Coverage Ratio        | 3.71             | 3.20             |

#### **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, 2017, is included in the City's August 31, 2018, 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, 2017. This was the thirty-fifth 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,



Brandon Kauffman  
Finance Director





Government Finance Officers Association

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

Presented to

**City of Lincoln  
Nebraska**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**August 31, 2017**

*Christopher P. Morrell*

Executive Director/CEO





## **FINANCIAL SECTION**



## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, Nebraska (the City) as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as 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 18%, 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. 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 reports 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, 2018, 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 Note 1 to the financial statements, in 2018, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. 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, pension and other postemployment benefit information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a 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 and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

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

A handwritten signature in black ink that reads "BKD, LLP". The letters are stylized and slanted to the right.

Lincoln, Nebraska  
February 15, 2019

## **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, 2018. Please consider this discussion in conjunction with the additional information provided in the Letter of Transmittal (beginning on page vii) and the transactions, events and conditions reflected in the City's financial statements (beginning on page 16). The financial information for 2017 shown in the condensed statements of net position and condensed statements of activities on pages 7-8 have not been updated for changes resulting from the implementation of GASB Statement No. 75 (see page 41 for information regarding the implementation of GASB Statement No. 75).

### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at August 31, 2018, by \$2,109,391,077 (net position). Of this amount, \$258,172,463 (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 \$104,321,578. Of this amount, \$63,051,661, or 60%, was an increase in governmental activities and \$41,269,917, or 40%, related to business-type activities. Please refer to the fund descriptions preceding the various combining statements (beginning on page 87) for information regarding constraints imposed on the City in spending available funds.
- As of August 31, 2018, the City's governmental funds reported combined ending fund balances of \$340,191,685, an increase of \$10,199,758 in comparison with the prior year. Of this total fund balance, 14%, or \$45,985,302 is available for spending at the City's discretion (unassigned fund balance).
- As of August 31, 2018, unrestricted fund balance (the total of committed, assigned, and unassigned fund balance) for the general fund was \$62,451,782, or 44% of total general fund expenditures. Following the implementation of GASB Statement No. 54, reference must be made to pages 89-91 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 \$40,052,368 (4%) during the current fiscal year. Lincoln Water System issued \$13,235,000 in refunding bonds for an economic gain of approximately \$2,266,000. The City also issued \$4,345,000 in general obligation refunding bonds for an economic gain of approximately \$750,000.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

The statement of activities presents information showing how the City's net position changed during the year ended August 31, 2018. 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 center; broadband facilities; and parking.

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

## **FUND FINANCIAL STATEMENTS**

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

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

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

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

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

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

Proprietary funds – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its parking facilities and lots; golf courses; entertainment center; solid waste management; ambulance services; broadband system, 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 24-29 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 30-31 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 33-82 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 83-85 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 87 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 \$2,109,391,077 at August 31, 2018.

### **City Of Lincoln Condensed Statements of Net Position August 31, 2018 and 2017**

|                                   | Governmental<br>Activities |               | Business-type<br>Activities |               | Total         |               |
|-----------------------------------|----------------------------|---------------|-----------------------------|---------------|---------------|---------------|
|                                   | 2018                       | 2017 *        | 2018                        | 2017          | 2018          | 2017          |
| Current and Other Assets          | \$ 441,956,426             | 428,006,186   | 337,420,808                 | 339,015,651   | 779,377,234   | 767,021,837   |
| Capital Assets                    | 1,311,852,970              | 1,277,140,923 | 1,631,708,999               | 1,579,695,054 | 2,943,561,969 | 2,856,835,977 |
| Total Assets                      | 1,753,809,396              | 1,705,147,109 | 1,969,129,807               | 1,918,710,705 | 3,722,939,203 | 3,623,857,814 |
| Deferred Outflows of Resources    | 5,614,207                  | 7,863,870     | 17,145,308                  | 19,341,875    | 22,759,515    | 27,205,745    |
| Long-Term Liabilities Outstanding | 568,719,411                | 581,849,334   | 840,088,872                 | 841,060,908   | 1,408,808,283 | 1,422,910,242 |
| Other Liabilities                 | 40,059,179                 | 37,327,350    | 169,206,946                 | 161,066,864   | 209,266,125   | 198,394,214   |
| Total Liabilities                 | 608,778,590                | 619,176,684   | 1,009,295,818               | 1,002,127,772 | 1,618,074,408 | 1,621,304,456 |
| Deferred Inflows of Resources     | 17,193,940                 | 18,521,460    | 1,039,293                   | 1,002,923     | 18,233,233    | 19,524,383    |
| Net Position:                     |                            |               |                             |               |               |               |
| Net Investment in Capital Assets  | 846,442,664                | 803,312,775   | 793,807,694                 | 714,268,860   | 1,640,250,358 | 1,517,581,635 |
| Restricted                        | 182,122,089                | 170,845,285   | 28,846,167                  | 27,308,837    | 210,968,256   | 198,154,122   |
| Unrestricted                      | 104,886,320                | 101,154,775   | 153,286,143                 | 193,344,188   | 258,172,463   | 294,498,963   |
| Total Net Position                | \$ 1,133,451,073           | 1,075,312,835 | 975,940,004                 | 934,921,885   | 2,109,391,077 | 2,010,234,720 |

\* The current and other assets and deferred inflows of resources line items for 2017 include the effects of the City's implementation of GASB Statement No. 81.

By far the largest portion of the City's net position (78%) reflects its investment in capital assets (e.g., land, buildings, improvements, utility plant, infrastructure, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt

must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (10%) represents resources that are subject to external restrictions on their use. The remaining balance of unrestricted net position (12%) may be used to meet the government's ongoing obligations to citizens and creditors.

At August 31, 2018, 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, 2018 and 2017**

|  | Governmental<br>Activities |               | Business-type<br>Activities |             | Total         |               |
|--|----------------------------|---------------|-----------------------------|-------------|---------------|---------------|
|  | 2018                       | 2017          | 2018                        | 2017        | 2018          | 2017          |
| Revenues:                                    |                            |               |                             |             |               |               |
| Program Revenues:                            |                            |               |                             |             |               |               |
| Charges for Services                         | \$ 71,393,774              | 72,029,839    | 438,920,430                 | 428,577,587 | 510,314,204   | 500,607,426   |
| Operating Grants and Contributions           | 63,076,418                 | 65,860,903    | 112,847                     | -           | 63,189,265    | 65,860,903    |
| Capital Grants and Contributions             | 37,901,112                 | 23,824,607    | 18,800,761                  | 11,416,105  | 56,701,873    | 35,240,712    |
| General Revenues:                            |                            |               |                             |             |               |               |
| Property Tax                                 | 74,308,924                 | 70,687,331    | -                           | -           | 74,308,924    | 70,687,331    |
| Sales and Use Tax                            | 89,978,538                 | 88,493,433    | -                           | -           | 89,978,538    | 88,493,433    |
| Occupation Tax                               | 27,438,041                 | 27,167,889    | 3,622,544                   | 3,809,059   | 31,060,585    | 30,976,948    |
| Other Taxes                                  | 26,757,487                 | 25,822,855    | -                           | -           | 26,757,487    | 25,822,855    |
| Unrestricted Grants and Contributions        | 60,620                     | 71,620        | -                           | -           | 60,620        | 71,620        |
| Unrestricted Investment Earnings             | 3,022,679                  | 2,308,284     | 2,197,770                   | 2,339,375   | 5,220,449     | 4,647,659     |
| Other  | 919,184                    | 489,198       | 192,670                     | 233,578     | 1,111,854     | 722,776       |
| Total Revenues                               | 394,856,777                | 376,755,959   | 463,847,022                 | 446,375,704 | 858,703,799   | 823,131,663   |
| Expenses:                                    |                            |               |                             |             |               |               |
| General Government                           | 47,260,387                 | 52,387,910    | -                           | -           | 47,260,387    | 52,387,910    |
| Public Safety                                | 102,979,449                | 96,915,706    | -                           | -           | 102,979,449   | 96,915,706    |
| Streets and Highways                         | 66,223,821                 | 49,055,496    | -                           | -           | 66,223,821    | 49,055,496    |
| Culture and Recreation                       | 41,524,548                 | 41,071,450    | -                           | -           | 41,524,548    | 41,071,450    |
| Economic Opportunity                         | 24,018,579                 | 21,384,298    | -                           | -           | 24,018,579    | 21,384,298    |
| Health and Welfare                           | 20,885,234                 | 22,433,400    | -                           | -           | 20,885,234    | 22,433,400    |
| Mass Transit                                 | 15,822,765                 | 15,298,159    | -                           | -           | 15,822,765    | 15,298,159    |
| Equipment Management                         | 508,118                    | 527,243       | -                           | -           | 508,118       | 527,243       |
| Engineering Services                         | 4,394,576                  | 4,159,498     | -                           | -           | 4,394,576     | 4,159,498     |
| Interest on Long-Term Debt                   | 19,721,240                 | 21,172,325    | -                           | -           | 19,721,240    | 21,172,325    |
| Golf Courses                                 | -                          | -             | 3,981,087                   | 4,193,694   | 3,981,087     | 4,193,694     |
| Parking                                      | -                          | -             | 10,302,430                  | 9,874,516   | 10,302,430    | 9,874,516     |
| Entertainment Facilities                     | -                          | -             | 11,587,968                  | 11,783,010  | 11,587,968    | 11,783,010    |
| Solid Waste Management                       | -                          | -             | 11,767,958                  | 11,684,258  | 11,767,958    | 11,684,258    |
| Ambulance Transport                          | -                          | -             | 6,422,207                   | 6,395,628   | 6,422,207     | 6,395,628     |
| Broadband Enterprise                         | -                          | -             | 948,029                     | 819,075     | 948,029       | 819,075       |
| Wastewater                                   | -                          | -             | 25,728,896                  | 25,637,244  | 25,728,896    | 25,637,244    |
| Water  | -                          | -             | 28,275,160                  | 29,304,869  | 28,275,160    | 29,304,869    |
| Electric                                     | -                          | -             | 312,132,000                 | 303,928,000 | 312,132,000   | 303,928,000   |
| Total Expenses                               | 343,338,717                | 324,405,485   | 411,145,735                 | 403,620,294 | 754,484,452   | 728,025,779   |
| Increase in Net Position Before Transfers    | 51,518,060                 | 52,350,474    | 52,701,287                  | 42,755,410  | 104,219,347   | 95,105,884    |
| Transfers                                    | 11,533,601                 | 7,617,803     | (11,431,370)                | (7,522,157) | 102,231       | 95,646        |
| Increase in Net Position                     | 63,051,661                 | 59,968,277    | 41,269,917                  | 35,233,253  | 104,321,578   | 95,201,530    |
| Net Position - Beginning, Before Restatement | 1,075,312,835              | 1,015,344,558 | 934,921,885                 | 899,688,632 | 2,010,234,720 | 1,915,033,190 |
| Adjustment for Implementation of GASB 75     | (4,913,423)                | -             | (251,798)                   | -           | (5,165,221)   | -             |
| Net Position - Beginning, After Restatement  | 1,070,399,412              | 1,015,344,558 | 934,670,087                 | 899,688,632 | 2,005,069,499 | 1,915,033,190 |
| Net Position - Ending                        | \$ 1,133,451,073           | 1,075,312,835 | 975,940,004                 | 934,921,885 | 2,109,391,077 | 2,010,234,720 |

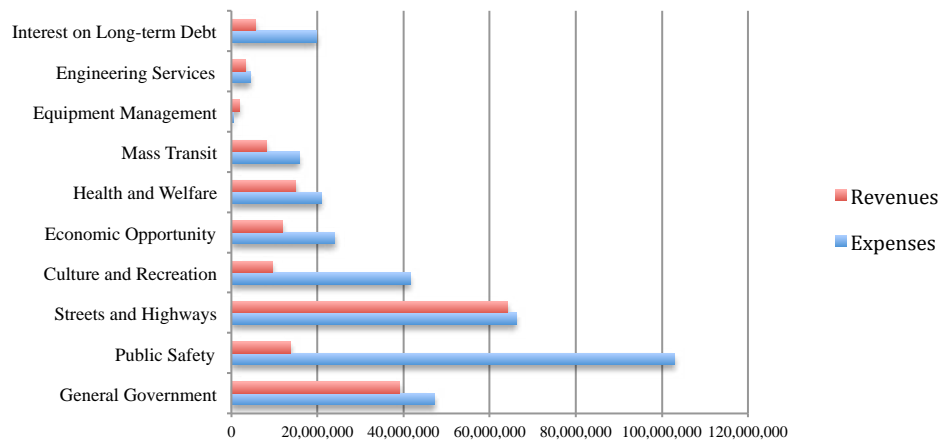
## GOVERNMENTAL ACTIVITIES

Governmental activities increased the City's net position by \$63,051,661, accounting for 60% of the total growth in the net position of the City of Lincoln. Key elements of this increase are as follows:

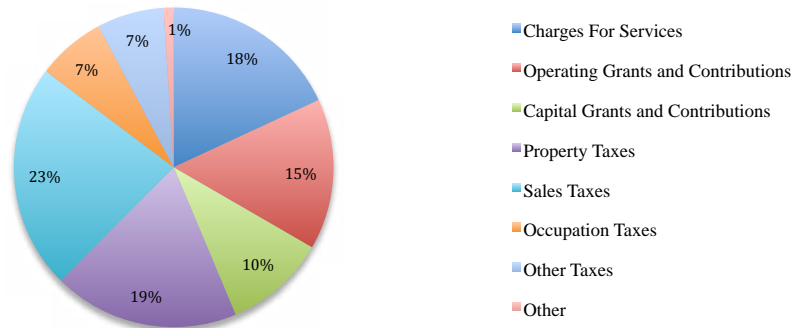
- Operating grants and contributions decreased by approximately \$2.8 million (4.2%) during 2018. This decrease can be attributed to a reduction of \$3.4 million in funds received by the City health programs.
- Capital grants and contributions increased by approximately \$14 million (59.1%) during 2018. This increase is primarily impacted by the \$15 million of developer contributions of infrastructure in various closed projects recorded in the current year.
- Property Tax receipts increased by approximately \$3.6 million (5.1%) in 2018 primarily due to a 8.7% increase in the overall tax base, but offset by a 5.1% reduction in the tax rate for the current year.
- Sales taxes increased by approximately \$1.5 million (1.7%) during 2018. This increase falls short of the 4% increase budgeted for the 2018 fiscal year.



### Expenses and Program Revenues - Governmental Activities



### Revenues by Source - Governmental Activities

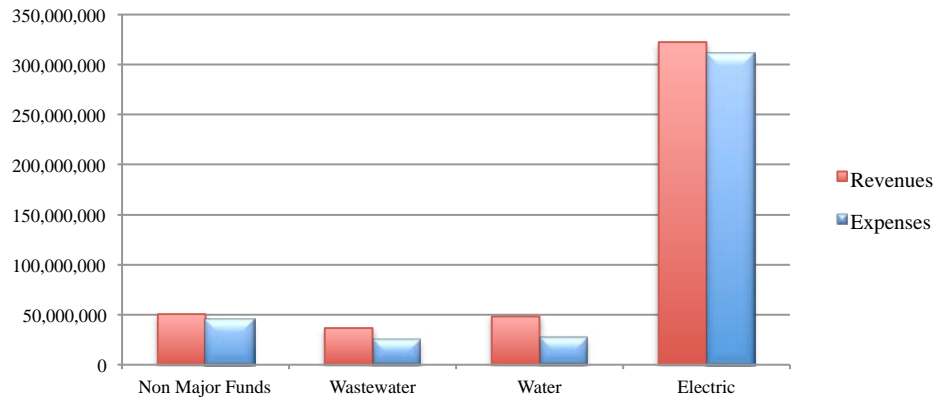


### BUSINESS-TYPE ACTIVITIES

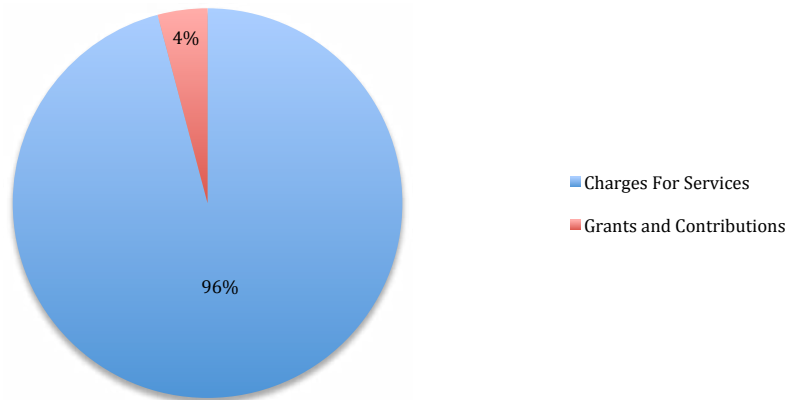
Business-type activities increased the City's net position by \$41,269,917, accounting for 40% of the total growth in the government's net position. Key elements of this increase are as follows:

- Lincoln Electric System operating revenue in 2017 was up 1.9% from 2016. Retail revenue was 2.4% higher primarily due to more customers receiving service. Wholesale revenue decreased 1.3% due to decreased sales in the Southwest Power Pool Integrated Marketplace (SPP IM). Other revenue was up 2.3% primarily due to the change in unbilled revenues. Operating expenses in 2017 were \$267,474,000, an increase of less than 1%. Other non-operating expenses increased due to a \$10,500,000 payment made for the termination of the Sheldon Generating Station agreement.
- Lincoln Wastewater System reported increased revenues primarily due to a 5% increase implemented November 2017 and applied solely to the service charge. Total operating expenses increased primarily due to increased plant, pumping and treatment cost, including depreciation and maintenance.
- Lincoln Water System reported increased revenues primarily due to a 5% increase implemented November 2017 and applied solely to the service charge. Lincoln Water System capital contributions increased due to a grant received from the State Water Sustainability fund providing partial funding for the construction of a new horizontal well. Non-operating expense decreased due to one-time costs in the prior year for abandonment of two water reservoirs.

**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, 2018, the City's governmental funds reported combined ending fund balances of \$340,191,685, an increase of \$10,199,758 in comparison with the prior year. Of this total amount, 14% 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 (\$1,926,772), legally required to be maintained intact (\$37,160,000), restricted for particular purposes (\$152,252,985), committed for particular purposes (\$2,992,578), or assigned for particular purposes (\$99,874,048).

The General Fund is the chief operating fund of the City. At August 31, 2018, the unrestricted fund balance of the General Fund was \$62,451,782, while total fund balance reached \$69,840,641. 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 44% of total general fund expenditures, while total fund balance represents 50% of that same amount.

The fund balance of the City's General Fund increased by \$2,185,413 during 2018. Actual property tax revenue exceeded 98% of the levy while the estimated tax revenue is based on 90% collections. 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 \$66,536,507, which is to be used in the construction and maintenance of streets and highways. The net decrease in fund balance during 2018 in the Street Construction Fund was \$2,985,197, with total revenues showing a 5% decrease and capital construction expenses showing a 17% increase. Included in current year expense is a \$16,400,000 contribution to the State of Nebraska South Beltway project.

The West Haymarket JPA Fund had a fund balance of \$37,126,987, 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 \$5,100,119. 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 \$24,547,873, \$34,992,440, \$96,211,000 and \$(2,465,170), respectively, at August 31, 2018 (December 31, 2017 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 (decrease of \$21,589) and can be briefly summarized as follows:

Expenditure appropriations:

- \$304,590 in miscellaneous changes in general government activities.
- \$333 in increases allocated to public safety.
- \$(127,631) in decreases to streets & highways.
- \$(69,513) in decreases allocated to parks and recreation.
- \$(129,368) in decreases 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:

- \$5,399,585 positive variance in real estate and personal property tax. Actual property tax collections were 98.45% of the 2017 levy, while estimated tax revenue is based on 90% collections as provided by the City Charter.
- \$4,421,311 positive variance in miscellaneous general government expenditures. Significant savings were realized in several service line items that are reappropriated to cover future expenditures.
- \$3,651,922 positive variance in police expenditures. Salary related expenditure variances are the result of vacancies in positions during the year reducing actual costs compared to a fully staffed budget.

- \$1,654,097 positive variance in fire expenditures. This variance is the result of holding funds to be used in the subsequent year for retro salary payments related to settlement of the fire union labor agreement and delayed purchase of capital asset items.
- (\$1,007,195) negative variance in street lighting function expenditures. This variance is the result of street light additions in major street construction projects.
- \$1,272,626 positive variance in parks and recreation expenditures. The Parks Department is putting funds in place to address the emerald ash borer infestation. Expenditures in this program will increase now that the insect has been identified in the Lincoln area.

## **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, 2018, amounts to \$2,943,561,969 (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 2018 was 3% (2.7% increase for governmental activities and 3.3% increase for business-type activities).

Major capital asset events during 2018 included the following:

- The City increased its investment in infrastructure, including streets, bridges, drainage and traffic systems, in excess of \$36 million.
- The City invested in its 911 emergency radio system at a cost of approximately \$2.8 million. It is anticipated that agencies will begin using the new system in the spring of 2019, along with the old system during transition, with final acceptance testing later in the year. Estimated total project cost of the system is \$12 million.
- The construction of 5 new fire stations began with current year expenses of \$7.9 million.
- StarTran, the City mass transit system, added 11 new handivans and 5 new buses at a cost of \$3.4 million.
- LES is a 12.76% share owner in the Laramie River Station. LES' share of capital improvements for the plant in 2017 was \$9,895,000.
- Construction is underway for the LES Operation Center (LOC). Capital expenditures in 2017 for this project totaled \$21,501,000. Phase one of the LOC, which includes a second LES operations center and fleet building, is expected to be completed in 2019. Phase two of construction, which will include an administrative building and control center is planned for completion in 2021.
- The Duct Installation Program (DIP), which started in 2012, is a 10-year project to install duct adjacent to distribution cable, allowing the cable to be replaced quickly when it reaches the end of its useful life. Capital expenditures in 2017 totaled \$4,139,000. The DIP project is expected to be completed in 2022 with an estimated project cost of \$30,301,000.
- Lincoln Wastewater System 2018 events included select main replacements of approximately \$2.2 million.
- Lincoln Water System events included approximately \$5.6 million of select main replacements.

#### **City Of Lincoln Capital Assets (net of depreciation) August 31, 2018 and 2017**

|                                   | Governmental<br>Activities |                      | Business-type<br>Activities |                      | Total                |                      |
|-----------------------------------|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
|                                   | 2018                       | 2017                 | 2018                        | 2017                 | 2018                 | 2017                 |
| Land                              | \$ 170,489,231             | 169,428,427          | 25,448,134                  | 25,247,402           | 195,937,365          | 194,675,829          |
| Buildings                         | 281,707,136                | 281,013,179          | 142,846,179                 | 145,575,876          | 424,553,315          | 426,589,055          |
| Improvements Other Than Buildings | 93,097,543                 | 94,446,308           | 509,434,926                 | 497,615,613          | 602,532,469          | 592,061,921          |
| Machinery and Equipment           | 42,496,297                 | 39,775,590           | 21,902,823                  | 20,625,172           | 64,399,120           | 60,400,762           |
| Utility Plant                     | -                          | -                    | 787,222,000                 | 797,890,000          | 787,222,000          | 797,890,000          |
| Infrastructure                    | 637,274,730                | 629,277,539          | -                           | -                    | 637,274,730          | 629,277,539          |
| Construction-in-progress          | 86,788,033                 | 63,199,880           | 144,854,937                 | 92,740,991           | 231,642,970          | 155,940,871          |
| Total                             | <u>\$ 1,311,852,970</u>    | <u>1,277,140,923</u> | <u>1,631,708,999</u>        | <u>1,579,695,054</u> | <u>2,943,561,969</u> | <u>2,856,835,977</u> |

Additional information on the City's capital assets can be found in Note 7 of the notes to the financial statements on pages 52-54 of this report.

## LONG-TERM DEBT

At August 31, 2018, the City of Lincoln had total bonded debt outstanding of \$1,097,603,373. Of this amount, \$419,953,373 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, 2018 and 2017**

|                          | Governmental<br>Activities |                    | Business-type<br>Activities |                    | Total                |                      |
|--------------------------|----------------------------|--------------------|-----------------------------|--------------------|----------------------|----------------------|
|                          | 2018                       | 2017               | 2018                        | 2017               | 2018                 | 2017                 |
| General Obligation Bonds | \$ 419,953,373             | 431,935,741        | -                           | -                  | 419,953,373          | 431,935,741          |
| Revenue Bonds            | -                          | -                  | 677,650,000                 | 705,720,000        | 677,650,000          | 705,720,000          |
| Total                    | <u>\$ 419,953,373</u>      | <u>431,935,741</u> | <u>677,650,000</u>          | <u>705,720,000</u> | <u>1,097,603,373</u> | <u>1,137,655,741</u> |

The City's total bonded debt decreased by \$40,052,368 (4%) in the current fiscal year. Lincoln Water System issued \$13,235,000 in refunding bonds for an economic gain of approximately \$2,266,000. The City also issued \$4,345,000 in general obligation refunding bonds for an economic gain of approximately \$750,000.

The City maintains the following credit ratings:

|                                      | Moody's<br>Investors<br>Service | Standard<br>&<br>Poor's | Fitch<br>Investors<br>Service |
|--------------------------------------|---------------------------------|-------------------------|-------------------------------|
| General Obligation Bonds             | Aaa                             | AAA                     | -                             |
| West Haymarket JPA Bonds             | Aa1                             | AAA                     | -                             |
| Water Revenue Bonds                  | Aa1                             | AA                      | -                             |
| Wastewater Revenue Bonds             |                                 |                         |                               |
| MBIA insured                         | Aaa                             | AAA                     | -                             |
| Underlying                           | Aa2                             | AA+                     | -                             |
| Parking Revenue Bonds                | A1                              | A+                      | -                             |
| Solid Waste Management Revenue Bonds | Aa2                             | AA+                     | -                             |
| Lincoln Electric System              |                                 |                         |                               |
| Revenue Bonds                        | -                               | AA                      | AA                            |
| 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 55-61 of this report.

## ECONOMIC FACTORS AND FUTURE BUDGETS AND RATES

- In August 2018, the Lincoln City Council approved a 5% revenue increase for both fiscal years of the biennial budget for both the Water and Wastewater Systems. This will be attained through increases in the usage rates and service charges.
- The electric utility industry repeatedly has been faced with new and proposed environmental regulations. The increase in legislation has been a major issue facing LES and all electric utility providers. LES continues to work diligently with industry groups and government representatives to help shape legislation and to implement cost-effective means to comply with all regulations.
- Property tax revenue expected to fund the 2018-2019 budget increased \$3,285,315 from the prior year. Total valuation growth is 5.6%, with no change in the current tax rate.
- 2019 projected sales tax collections reflect a 4.0% increase over 2018 estimated collections. The budgeted local sales tax rate is 1.5%, which supports the General Fund. Projected sales tax collections could be impacted by legislative changes and unanticipated changes in economic activity. Each year, more online retailers have begun collecting sales tax, which will have a positive impact on revenues.

- Lincoln voters approved a .25% cent sales tax increase in 2015, for three years only, to provide funding for a new 911 radio system and 4 new fire stations. This tax ends in October 2018.
- Health insurance is projected to increase 3% in the first year and 10% in the second year of the 2018-2020 biennial budget. Dental insurance is projected to increase 4% each year.
- The City negotiates with six different bargaining units. Currently one union is still in negotiations for the 2018/2019 fiscal year, another contract will expire in August 2019, with the remaining four agreements in effect until August 2020.
- Staffing changes included in the 2018-2019 fiscal year budgets resulted in an increase for all funds of 31.76 full-time equivalents.

#### **REQUESTS FOR INFORMATION**

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

## **BASIC FINANCIAL STATEMENTS**

**CITY OF LINCOLN, NEBRASKA**  
**STATEMENT OF NET POSITION**  
AUGUST 31, 2018

|  | Governmental<br>Activities | Business-Type<br>Activities | Total                |
|--|----------------------------|-----------------------------|----------------------|
| <b>ASSETS</b>                                      |                            |                             |                      |
| Cash and Cash Equivalents                          | \$ 20,969,860              | 26,526,452                  | 47,496,312           |
| Investments  | 319,824,817                | 154,772,485                 | 474,597,302          |
| Receivables, (Net of Allowance for Uncollectibles) | 32,684,059                 | 52,087,144                  | 84,771,203           |
| Internal Balances                                  | (6,451,860)                | 6,451,860                   | -                    |
| Due from Other Governments                         | 27,084,830                 | 131,355                     | 27,216,185           |
| Inventories  | 2,324,347                  | 14,956,926                  | 17,281,273           |
| Plant Operation Assets                             | -                          | 17,901,000                  | 17,901,000           |
| Prepaid Items                                      | 1,110,137                  | 2,696,125                   | 3,806,262            |
| Other Assets                                       | 7,250,236                  | 4,763,363                   | 12,013,599           |
| Restricted Assets:                                 |                            |                             |                      |
| Cash and Cash Equivalents                          | -                          | 9,201,771                   | 9,201,771            |
| Investments  | 37,160,000                 | 47,910,754                  | 85,070,754           |
| Receivables  | -                          | 21,573                      | 21,573               |
| Capital Assets:                                    |                            |                             |                      |
| Non-depreciable                                    | 257,277,264                | 170,303,071                 | 427,580,335          |
| Depreciable (Net)                                  | 1,054,575,706              | 1,461,405,928               | 2,515,981,634        |
| Total Assets                                       | <u>1,753,809,396</u>       | <u>1,969,129,807</u>        | <u>3,722,939,203</u> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>              |                            |                             |                      |
| Deferred Loss on Refunding                         | 661,605                    | 16,702,327                  | 17,363,932           |
| Deferred Outflows for Pension                      | 3,962,233                  | 313,130                     | 4,275,363            |
| Deferred Outflows for OPEB                         | 990,369                    | 129,851                     | 1,120,220            |
| Total Deferred Outflows of Resources               | <u>5,614,207</u>           | <u>17,145,308</u>           | <u>22,759,515</u>    |
| <b>LIABILITIES</b>                                 |                            |                             |                      |
| Accounts Payable and Other Current Liabilities     | 20,698,321                 | 27,021,329                  | 47,719,650           |
| Accrued Liabilities                                | 5,173,406                  | 31,018,895                  | 36,192,301           |
| Due to Other Governments                           | 713,771                    | 253,174                     | 966,945              |
| Unearned Revenue                                   | 8,980,087                  | 6,544,562                   | 15,524,649           |
| Notes Payable                                      | -                          | 95,500,000                  | 95,500,000           |
| Accrued Interest Payable                           | 4,493,594                  | 8,868,986                   | 13,362,580           |
| Noncurrent Liabilities:                            |                            |                             |                      |
| Payable within One Year                            | 31,079,131                 | 38,202,641                  | 69,281,772           |
| Payable in More Than One Year                      | 537,640,280                | 801,886,231                 | 1,339,526,511        |
| Total Liabilities                                  | <u>608,778,590</u>         | <u>1,009,295,818</u>        | <u>1,618,074,408</u> |
| <b>DEFERRED INFLOWS OF RESOURCES</b>               |                            |                             |                      |
| Deferred Beneficial Interest Revenue               | 3,541,924                  | -                           | 3,541,924            |
| Deferred Gain on Refunding                         | 844,645                    | -                           | 844,645              |
| Deferred Inflows for Pension                       | 11,940,723                 | 925,665                     | 12,866,388           |
| Deferred Inflows for OPEB                          | 866,648                    | 113,628                     | 980,276              |
| Total Deferred Inflows of Resources                | <u>17,193,940</u>          | <u>1,039,293</u>            | <u>18,233,233</u>    |
| <b>NET POSITION</b>                                |                            |                             |                      |
| Net Investment in Capital Assets                   | 846,442,664                | 793,807,694                 | 1,640,250,358        |
| Restricted for:                                    |                            |                             |                      |
| Debt Service                                       | 6,802,784                  | 18,707,108                  | 25,509,892           |
| Capital Projects                                   | 74,275,391                 | 9,204,059                   | 83,479,450           |
| Grantor Loan Programs                              | 18,006,000                 | -                           | 18,006,000           |
| Other  | 15,241,427                 | 935,000                     | 16,176,427           |
| Trust Donations:                                   |                            |                             |                      |
| Expendable   | 2,200,347                  | -                           | 2,200,347            |
| Nonexpendable                                      | 160,000                    | -                           | 160,000              |
| Health Care:                                       |                            |                             |                      |
| Expendable   | 28,436,140                 | -                           | 28,436,140           |
| Nonexpendable                                      | 37,000,000                 | -                           | 37,000,000           |
| Unrestricted                                       | <u>104,886,320</u>         | <u>153,286,143</u>          | <u>258,172,463</u>   |
| Total Net Position                                 | <u>\$ 1,133,451,073</u>    | <u>975,940,004</u>          | <u>2,109,391,077</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, 2018**

|  |                  | Program Revenues |                          |                          | Net (Expense) Revenue and Changes in Net Position |               |               |
|--|------------------|------------------|--------------------------|--------------------------|---|---------------|---------------|
|  |                  | Charges for      | Operating                | Capital                  | Governmental                                      | Business-Type | Total         |
|  | Expenses         | Services         | Grants and Contributions | Grants and Contributions | Activities  | Activities    |               |
| <b>Functions/Programs</b>                            |                  |                  |                          |                          |   |               |               |
| Governmental Activities:                             |                  |                  |                          |                          |   |               |               |
| General Government                                   | \$ (47,260,387)  | 36,481,336       | 1,825,211                | 852,933                  | (8,100,907)                                       | -             | (8,100,907)   |
| Public Safety  | (102,979,449)    | 7,724,306        | 5,361,593                | 723,430                  | (89,170,120)                                      | -             | (89,170,120)  |
| Streets and Highways                                 | (66,223,821)     | 5,278,153        | 26,856,179               | 32,108,828               | (1,980,661)                                       | -             | (1,980,661)   |
| Culture and Recreation                               | (41,524,548)     | 4,549,413        | 1,645,966                | 3,294,608                | (32,034,561)                                      | -             | (32,034,561)  |
| Economic Opportunity                                 | (24,018,579)     | 2,138,366        | 9,714,537                | -                        | (12,165,676)                                      | -             | (12,165,676)  |
| Health and Welfare                                   | (20,885,234)     | 5,144,629        | 9,797,560                | -                        | (5,943,045)                                       | -             | (5,943,045)   |
| Mass Transit   | (15,822,765)     | 3,870,808        | 4,229,263                | -                        | (7,722,694)                                       | -             | (7,722,694)   |
| Equipment Management                                 | (508,118)        | 1,831,208        | -                        | -                        | 1,323,090   | -             | 1,323,090     |
| Engineering Services                                 | (4,394,576)      | 3,254,154        | -                        | 4,367                    | (1,136,055)                                       | -             | (1,136,055)   |
| Interest on Long-Term Debt                           | (19,721,240)     | 1,121,401        | 3,646,109                | 916,946                  | (14,036,784)                                      | -             | (14,036,784)  |
| Total Governmental Activities                        | (343,338,717)    | 71,393,774       | 63,076,418               | 37,901,112               | (170,967,413)                                     | -             | (170,967,413) |
| Business-Type Activities:                            |                  |                  |                          |                          |   |               |               |
| Golf   | (3,981,087)      | 3,855,051        | 1,685                    | -                        | -   | (124,351)     | (124,351)     |
| Parking System                                       | (10,302,430)     | 14,618,944       | -                        | 10,191                   | -   | 4,326,705     | 4,326,705     |
| Municipal Arena                                      | (11,587,968)     | 11,406,354       | -                        | -                        | -   | (181,614)     | (181,614)     |
| Solid Waste Management                               | (11,767,958)     | 9,213,646        | 111,162                  | -                        | -   | (2,443,150)   | (2,443,150)   |
| Emergency Medical Services                           | (6,422,207)      | 7,158,786        | -                        | -                        | -   | 736,579       | 736,579       |
| Broadband Enterprise                                 | (948,029)        | 879,852          | -                        | 3,263,533                | -   | 3,195,356     | 3,195,356     |
| Wastewater System                                    | (25,728,896)     | 31,323,851       | -                        | 5,282,107                | -   | 10,877,062    | 10,877,062    |
| Water System   | (28,275,160)     | 38,914,946       | -                        | 9,308,930                | -   | 19,948,716    | 19,948,716    |
| Electric System                                      | (312,132,000)    | 321,549,000      | -                        | 936,000                  | -   | 10,353,000    | 10,353,000    |
| Total Business-Type Activities                       | (411,145,735)    | 438,920,430      | 112,847                  | 18,800,761               | -   | 46,688,303    | 46,688,303    |
| Total  | \$ (754,484,452) | 510,314,204      | 63,189,265               | 56,701,873               | (170,967,413)                                     | 46,688,303    | (124,279,110) |
| General Revenues:                                    |                  |                  |                          |                          |   |               |               |
| Property Tax   |                  |                  |                          |                          | 74,308,924  | -             | 74,308,924    |
| Motor Vehicle Tax                                    |                  |                  |                          |                          | 5,956,910   | -             | 5,956,910     |
| Wheel Tax  |                  |                  |                          |                          | 18,647,301  | -             | 18,647,301    |
| Sales and Use Tax                                    |                  |                  |                          |                          | 89,978,538  | -             | 89,978,538    |
| Sundry and In Lieu Tax                               |                  |                  |                          |                          | 2,153,276   | -             | 2,153,276     |
| Occupation Tax                                       |                  |                  |                          |                          | 27,438,041  | 3,622,544     | 31,060,585    |
| Unrestricted Grants and Contributions                |                  |                  |                          |                          | 60,620  | -             | 60,620        |
| Unrestricted Investment Earnings                     |                  |                  |                          |                          | 3,022,679   | 2,197,770     | 5,220,449     |
| Miscellaneous General Revenues                       |                  |                  |                          |                          | 919,184   | 192,670       | 1,111,854     |
| Transfers  |                  |                  |                          |                          | 11,533,601  | (11,431,370)  | 102,231       |
| Total General Revenues and Transfers                 |                  |                  |                          |                          | 234,019,074                                       | (5,418,386)   | 228,600,688   |
| Change in Net Position                               |                  |                  |                          |                          | 63,051,661  | 41,269,917    | 104,321,578   |
| Net Position - Beginning of Year, Before Restatement |                  |                  |                          |                          | 1,075,312,835                                     | 934,921,885   | 2,010,234,720 |
| Adjustment for Implementation of GASB 75             |                  |                  |                          |                          | (4,913,423)                                       | (251,798)     | (5,165,221)   |
| Net Position - Beginning of Year, After Restatement  |                  |                  |                          |                          | 1,070,399,412                                     | 934,670,087   | 2,005,069,499 |
| Net Position - Ending                                |                  |                  |                          |                          | \$ 1,133,451,073                                  | 975,940,004   | 2,109,391,077 |

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

**CITY OF LINCOLN, NEBRASKA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**AUGUST 31, 2018**

|  | General<br>Fund      | Street<br>Construction<br>Fund | West Haymarket<br>JPA<br>Fund | Other<br>Governmental<br>Funds | Total              |
|--|----------------------|--------------------------------|-------------------------------|--------------------------------|--------------------|
| <b>ASSETS</b>  |                      |                                |                               |                                |                    |
| Cash and Cash Equivalents  | \$ 4,582,538         | 2,370,203                      | 1,412,571                     | 10,286,743                     | 18,652,055         |
| Investments  | 52,030,234           | 52,805,280                     | 39,675,524                    | 159,931,871                    | 304,442,909        |
| Receivables, (Net of Allowance for Uncollectibles)                       | 5,854,219            | 225,588                        | 2,261,957                     | 23,879,630                     | 32,221,394         |
| Due from Other Funds   | 1,002,064            | 9,999,190                      | 7,532                         | 1,755,629                      | 12,764,415         |
| Due from Other Governments   | 14,183,075           | 5,175,337                      | 762,179                       | 6,890,239                      | 27,010,830         |
| Inventories  | 391,693              | 312,222                        | -                             | 742,375                        | 1,446,290          |
| Beneficial Interest Asset  | -                    | -                              | -                             | 3,541,924                      | 3,541,924          |
| Assets Held for Resale   | -                    | -                              | 3,708,312                     | -                              | 3,708,312          |
| Prepaid Items  | 180,029              | -                              | 300,453                       | -                              | 480,482            |
| Total Assets   | <u>78,223,852</u>    | <u>70,887,820</u>              | <u>48,128,528</u>             | <u>207,028,411</u>             | <u>404,268,611</u> |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES,<br/>AND FUND BALANCES</b> |                      |                                |                               |                                |                    |
| Liabilities:   |                      |                                |                               |                                |                    |
| Accounts Payable   | 1,296,928            | 3,731,476                      | 263,188                       | 5,253,239                      | 10,544,831         |
| Contracts Payable  | -                    | 124,789                        | -                             | 1,064,523                      | 1,189,312          |
| Accrued Liabilities  | 2,831,380            | 177,787                        | 183,000                       | 1,525,573                      | 4,717,740          |
| Due to Other Funds   | 1,978,668            | 179,763                        | 316,203                       | 17,573,561                     | 20,048,195         |
| Due to Other Governments   | 123,420              | 22,775                         | 496,724                       | 171,060                        | 813,979            |
| Due to Other Contractors   | -                    | -                              | -                             | 7,044,823                      | 7,044,823          |
| Unearned Revenue   | 1,405                | -                              | 8,726,181                     | 228,947                        | 8,956,533          |
| Total Liabilities  | <u>6,231,801</u>     | <u>4,236,590</u>               | <u>9,985,296</u>              | <u>32,861,726</u>              | <u>53,315,413</u>  |
| Deferred Inflows of Resources:   |                      |                                |                               |                                |                    |
| Unavailable Revenues   | 2,151,410            | 114,723                        | 1,016,245                     | 3,937,211                      | 7,219,589          |
| Beneficial Interest Revenue  | -                    | -                              | -                             | 3,541,924                      | 3,541,924          |
| Total Deferred Inflows of Resources                                      | <u>2,151,410</u>     | <u>114,723</u>                 | <u>1,016,245</u>              | <u>7,479,135</u>               | <u>10,761,513</u>  |
| Fund Balances:   |                      |                                |                               |                                |                    |
| Nonspendable   | 571,722              | 312,222                        | 300,453                       | 37,902,375                     | 39,086,772         |
| Restricted   | 6,817,137            | 39,929,601                     | 2,919,454                     | 102,586,793                    | 152,252,985        |
| Committed  | -                    | -                              | -                             | 2,992,578                      | 2,992,578          |
| Assigned   | 16,389,131           | 26,294,684                     | 33,907,080                    | 23,283,153                     | 99,874,048         |
| Unassigned   | 46,062,651           | -                              | -                             | (77,349)                       | 45,985,302         |
| Total Fund Balances  | <u>69,840,641</u>    | <u>66,536,507</u>              | <u>37,126,987</u>             | <u>166,687,550</u>             | <u>340,191,685</u> |
| Total Liabilities, Deferred Inflows of Resources,<br>and Fund Balances   | <u>\$ 78,223,852</u> | <u>70,887,820</u>              | <u>48,128,528</u>             | <u>207,028,411</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.   | 1,280,407,882           |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.  | 7,219,589               |
| 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. | 60,240,747              |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.  | (554,608,830)           |
| Net position of governmental activities   | <u>\$ 1,133,451,073</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, 2018**

|  | General<br>Fund | Street<br>Construction<br>Fund | West Haymarket<br>JPA<br>Fund | Other<br>Governmental<br>Funds | Total        |
|--|-----------------|--------------------------------|-------------------------------|--------------------------------|--------------|
| <b>REVENUES</b>  |                 |                                |                               |                                |              |
| Taxes:   |                 |                                |                               |                                |              |
| Property   | \$ 39,416,074   | -                              | -                             | 34,893,961                     | 74,310,035   |
| Motor Vehicle  | 5,956,910       | -                              | -                             | -                              | 5,956,910    |
| Wheel  | -               | -                              | -                             | 18,647,301                     | 18,647,301   |
| Sales and Use  | 76,957,955      | -                              | -                             | 13,020,583                     | 89,978,538   |
| Sundry and In Lieu   | 75,103          | -                              | -                             | 2,094,566                      | 2,169,669    |
| Occupation   | 9,063,320       | -                              | 17,058,415                    | 1,332,486                      | 27,454,221   |
| Special Assessment   | 40,331          | -                              | -                             | 1,586,980                      | 1,627,311    |
| Intergovernmental  | 4,008,619       | 37,706,742                     | 3,642,859                     | 27,607,478                     | 72,965,698   |
| Permits and Fees   | 5,084,460       | 4,492,029                      | 4,085                         | 15,576,597                     | 25,157,171   |
| Reimbursement for Services                                   | 7,806,936       | 229,376                        | 8,679,229                     | 1,633,248                      | 18,348,789   |
| Program Income   | -               | -                              | -                             | 172,718                        | 172,718      |
| Investment Earnings  | 750,717         | 394,629                        | 627,122                       | 4,086,766                      | 5,859,234    |
| Donations  | 843,324         | -                              | -                             | 2,845,837                      | 3,689,161    |
| Keno Proceeds  | -               | -                              | -                             | 5,220,645                      | 5,220,645    |
| Miscellaneous  | 620,035         | 632,881                        | -                             | 2,617,583                      | 3,870,499    |
| Total Revenues   | 150,623,784     | 43,455,657                     | 30,011,710                    | 131,336,749                    | 355,427,900  |
| <b>EXPENDITURES</b>  |                 |                                |                               |                                |              |
| Current:   |                 |                                |                               |                                |              |
| General Government   | 37,527,686      | -                              | 7,772,290                     | 14,428,594                     | 59,728,570   |
| Public Safety  | 75,496,472      | -                              | -                             | 10,746,734                     | 86,243,206   |
| Streets and Highways   | 6,660,440       | 15,086,446                     | -                             | -                              | 21,746,886   |
| Culture and Recreation                                       | 15,896,991      | -                              | -                             | 11,404,232                     | 27,301,223   |
| Economic Opportunity   | 4,563,818       | -                              | -                             | 10,000,014                     | 14,563,832   |
| Health and Welfare   | 629,533         | -                              | -                             | 21,233,741                     | 21,863,274   |
| Mass Transit   | -               | -                              | -                             | 18,315,179                     | 18,315,179   |
| Debt Service   | 68,720          | -                              | 16,779,637                    | 27,840,202                     | 44,688,559   |
| Capital Outlay   | -               | 45,865,192                     | 157,384                       | 24,524,444                     | 70,547,020   |
| Total Expenditures   | 140,843,660     | 60,951,638                     | 24,709,311                    | 138,493,140                    | 364,997,749  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 9,780,124       | (17,495,981)                   | 5,302,399                     | (7,156,391)                    | (9,569,849)  |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                 |                                |                               |                                |              |
| Transfers In   | 12,403,722      | 20,492,358                     | -                             | 35,722,450                     | 68,618,530   |
| Transfers Out  | (23,954,308)    | (6,054,736)                    | (202,280)                     | (25,173,991)                   | (55,385,315) |
| Issuance of Debt   | 4,439,375       | -                              | -                             | 4,345,000                      | 8,784,375    |
| Premium on Debt Issued                                       | 221,425         | -                              | -                             | 671,382                        | 892,807      |
| Transfer To Bond Refunding Agent                             | (749,615)       | -                              | -                             | (4,956,976)                    | (5,706,591)  |
| Sale of Capital Assets                                       | 44,690          | 73,162                         | -                             | 2,447,949                      | 2,565,801    |
| Total Other Financing Sources (Uses)                         | (7,594,711)     | 14,510,784                     | (202,280)                     | 13,055,814                     | 19,769,607   |
| Net Change in Fund Balances                                  | 2,185,413       | (2,985,197)                    | 5,100,119                     | 5,899,423                      | 10,199,758   |
| Fund Balances - Beginning                                    | 67,655,228      | 69,521,704                     | 32,026,868                    | 160,788,127                    | 329,991,927  |
| Fund Balances - Ending                                       | \$ 69,840,641   | 66,536,507                     | 37,126,987                    | 166,687,550                    | 340,191,685  |

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, 2018**

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

|   |                      |
|---|----------------------|
| Net change in fund balances - total governmental funds  | \$ 10,199,758        |
| 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.   | 12,306,439           |
| The net effect of various transactions involving capital contributions is to increase net position.   | 19,927,664           |
| 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.  | (463,526)            |
| 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. | 12,078,337           |
| 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.   | (694,554)            |
| Changes in the net pension liability, deferred inflows and outflows related to the net pension liability, net OPEB liability, and deferred inflows and outflows related to the net OPEB liability do not represent financial activity in the governmental funds.  | 1,144,013            |
| Internal service funds are used by management to charge the costs of certain services to individual funds. The net income of the internal service funds is reported within governmental activities.   | 8,553,530            |
| Change in net position of governmental activities   | <u>\$ 63,051,661</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, 2018**

|                                       | Budgeted Amounts |              | Actual        | Variance with |
|---------------------------------------|------------------|--------------|---------------|---------------|
|                                       | Original         | Final        | Amounts       | Final Budget  |
|                                       |                  |              |               | Positive      |
|                                       |                  |              |               | (Negative)    |
| Revenues:                             |                  |              |               |               |
| Real Estate and Personal Property Tax | \$ 40,610,223    | 40,610,223   | 46,009,808    | 5,399,585     |
| Taxes Collected by Others             | 77,527,604       | 77,527,604   | 76,812,830    | (714,774)     |
| Sundry Taxes and In Lieu              | 47,595           | 47,595       | 62,270        | 14,675        |
| Occupation Taxes                      | 9,491,045        | 9,491,045    | 9,053,545     | (437,500)     |
| Intergovernmental                     | 2,701,374        | 2,701,374    | 2,153,884     | (547,490)     |
| Permits and Fees                      | 3,613,322        | 3,613,322    | 3,977,352     | 364,030       |
| Reimbursement for Services            | 3,257,339        | 3,257,339    | 4,188,660     | 931,321       |
| Court Fees                            | 750,000          | 750,000      | 77,607        | (672,393)     |
| Recreation Receipts                   | 2,582,753        | 2,582,753    | 2,545,438     | (37,315)      |
| Investment Earnings                   | 315,005          | 315,005      | 578,115       | 263,110       |
| Donations                             | 849,496          | 849,496      | 855,384       | 5,888         |
| Rental Income                         | 568,393          | 568,393      | 557,595       | (10,798)      |
| Miscellaneous                         | 344,591          | 344,591      | 495,339       | 150,748       |
| Total Revenues                        | 142,658,740      | 142,658,740  | 147,367,827   | 4,709,087     |
| Expenditures:                         |                  |              |               |               |
| General Government:                   |                  |              |               |               |
| Legislative                           | 348,791          | 348,791      | 239,226       | 109,565       |
| Executive                             | 1,713,632        | 1,713,632    | 1,604,825     | 108,807       |
| Financial Administration              | 3,040,125        | 3,119,225    | 2,856,979     | 262,246       |
| Law                                   | 3,567,940        | 3,567,940    | 2,970,577     | 597,363       |
| Personnel Administration              | 1,413,762        | 1,413,762    | 982,037       | 431,725       |
| Planning and Zoning                   | 2,356,207        | 2,406,207    | 2,112,542     | 293,665       |
| Urban Development                     | 1,115,517        | 1,115,517    | 919,806       | 195,711       |
| Miscellaneous                         | 31,611,104       | 31,786,594   | 27,365,283    | 4,421,311     |
| Total General Government              | 45,167,078       | 45,471,668   | 39,051,275    | 6,420,393     |
| Public Safety:                        |                  |              |               |               |
| Police                                | 41,270,026       | 41,270,026   | 37,618,104    | 3,651,922     |
| Fire                                  | 31,217,922       | 31,218,255   | 29,564,158    | 1,654,097     |
| Traffic Engineering                   | 1,749,183        | 1,749,183    | 1,760,800     | (11,617)      |
| Total Public Safety                   | 74,237,131       | 74,237,464   | 68,943,062    | 5,294,402     |
| Streets and Highways:                 |                  |              |               |               |
| Street Maintenance                    | 3,445,750        | 3,308,751    | 2,789,678     | 519,073       |
| Street Lighting                       | 2,764,581        | 2,773,949    | 3,781,144     | (1,007,195)   |
| Total Streets and Highways            | 6,210,331        | 6,082,700    | 6,570,822     | (488,122)     |
| Culture and Recreation:               |                  |              |               |               |
| Parks and Recreation                  | 17,151,080       | 17,081,567   | 15,808,941    | 1,272,626     |
| Libraries                             | 141,838          | 141,838      | 140,798       | 1,040         |
| Total Culture and Recreation          | 17,292,918       | 17,223,405   | 15,949,739    | 1,273,666     |
| Economic Opportunity:                 |                  |              |               |               |
| Lincoln Area Agency on Aging          | 310,046          | 310,046      | 310,046       | -             |
| Health and Welfare:                   |                  |              |               |               |
| Lincoln/Lancaster County Health       | 629,784          | 629,784      | 629,784       | -             |
| Debt Service:                         |                  |              |               |               |
| Issuance and Management Costs         | -                | -            | 68,720        | (68,720)      |
| Total Expenditures                    | 143,847,288      | 143,955,067  | 131,523,448   | 12,431,619    |
| Excess (Deficiency) of Revenues       |                  |              |               |               |
| Over (Under) Expenditures             | (1,188,548)      | (1,296,327)  | 15,844,379    | 17,140,706    |
| Other Financing Sources (Uses):       |                  |              |               |               |
| Transfers In                          | 12,682,887       | 12,682,887   | 13,040,347    | 357,460       |
| Transfers Out                         | (31,871,446)     | (31,742,078) | (30,047,884)  | 1,694,194     |
| Proceeds from Issuance of Debt        | -                | -            | 4,439,375     | 4,439,375     |
| Premium on Debt Issued                | -                | -            | 221,425       | 221,425       |
| Transfer to Bond Refunding Agent      | -                | -            | (749,615)     | (749,615)     |
| Sale of Capital Assets                | 5,000            | 5,000        | 44,865        | 39,865        |
| Total Other Financing Sources (Uses)  | (19,183,559)     | (19,054,191) | (13,051,487)  | 6,002,704     |
| Net Change in Fund Balances           | \$ (20,372,107)  | (20,350,518) | 2,792,892     | 23,143,410    |
| Fund Balances - Beginning             |                  |              | 43,732,697    |               |
| Fund Balances - Ending                |                  |              | \$ 46,525,589 |               |

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, 2018**

|  | Budgeted Amounts |             | Actual        | Variance with |
|--|------------------|-------------|---------------|---------------|
|  | Original         | Final       | Amounts       | Final Budget  |
|  |                  |             |               | Positive      |
|  |                  |             |               | (Negative)    |
| Revenues:  |                  |             |               |               |
| Intergovernmental  | 13,882,499       | 13,882,499  | 25,489,332    | 11,606,833    |
| Permits and Fees   | -                | -           | 444,318       | 444,318       |
| Reimbursement for Services                                   | 600,000          | 600,000     | 251,832       | (348,168)     |
| Investment Earnings  | 57,200           | 57,200      | 386,377       | 329,177       |
| Miscellaneous  | -                | -           | 1,531         | 1,531         |
| Total Revenues   | 14,539,699       | 14,539,699  | 26,573,390    | 12,033,691    |
| Expenditures -- Streets and Highways:                        |                  |             |               |               |
| Personal Services  | 8,172,757        | 8,172,757   | 7,700,614     | 472,143       |
| Materials and Supplies                                       | 2,068,004        | 2,068,004   | 1,586,865     | 481,139       |
| Other Services and Charges                                   | 5,088,814        | 5,088,814   | 5,375,455     | (286,641)     |
| Capital Outlay   | 373,429          | 373,429     | 511,761       | (138,332)     |
| Total Expenditures   | 15,703,004       | 15,703,004  | 15,174,695    | 528,309       |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (1,163,305)      | (1,163,305) | 11,398,695    | 12,562,000    |
| Other Financing Sources (Uses):                              |                  |             |               |               |
| Transfers In   | 20,071,513       | 20,071,513  | 20,071,513    | -             |
| Transfers Out  | (6,054,736)      | (6,054,736) | (6,054,736)   | -             |
| Total Other Financing Sources (Uses)                         | 14,016,777       | 14,016,777  | 14,016,777    | -             |
| Net Change in Fund Balances                                  | \$ 12,853,472    | 12,853,472  | 25,415,472    | 12,562,000    |
| Amount Budgeted on Project Basis                             |                  |             | (33,779,046)  |               |
| Fund Balances - Beginning                                    |                  |             | 69,662,220    |               |
| Fund Balances - Ending                                       |                  |             | \$ 61,298,646 |               |

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, 2018**

|  | Business-Type Activities -- Enterprise Funds |                            |                               |                              |                        | Governmental<br>Activities --<br>Internal<br>Service<br>Funds |
|--|--|----------------------------|-------------------------------|------------------------------|------------------------|---|
|  | Lincoln<br>Wastewater<br>System              | Lincoln<br>Water<br>System | Lincoln<br>Electric<br>System | Other<br>Enterprise<br>Funds | Total                  |   |
| <b>ASSETS</b>                                      |  |                            |                               |                              |                        |   |
| Current Assets:                                    |  |                            |                               |                              |                        |   |
| Cash and Cash Equivalents                          | \$ 1,025,115                                 | 1,297,250                  | 17,193,000                    | 7,011,087                    | 26,526,452             | 2,317,805   |
| Investments  | 15,730,536                                   | 19,636,434                 | 85,390,000                    | 17,240,794                   | 137,997,764            | 38,364,167  |
| Restricted Assets:                                 |  |                            |                               |                              |                        |   |
| Cash and Cash Equivalents                          | -  | -                          | 5,605,000                     | -                            | 5,605,000              | -   |
| Investments  | -  | -                          | 11,949,000                    | -                            | 11,949,000             | -   |
| Receivables, (Net of Allowance for Uncollectibles) | 2,269,864                                    | 3,235,520                  | 20,626,000                    | 4,349,238                    | 30,480,622             | 462,665   |
| Unbilled Revenues                                  | 3,110,775                                    | 4,408,747                  | 14,087,000                    | -                            | 21,606,522             | -   |
| Due from Other Funds                               | 45,836                                       | 137,509                    | -                             | 496,084                      | 679,429                | 1,438,683   |
| Due from Other Governments                         | -  | -                          | -                             | 131,355                      | 131,355                | 74,000  |
| Inventories  | 47,211                                       | 1,637,772                  | 12,727,000                    | 544,943                      | 14,956,926             | 878,057   |
| Plant Operation Assets                             | -  | -                          | 17,901,000                    | -                            | 17,901,000             | -   |
| Prepaid Expenses                                   | -  | -                          | 2,594,000                     | 102,125                      | 2,696,125              | 629,655   |
| Total Current Assets                               | <u>22,229,337</u>                            | <u>30,353,232</u>          | <u>188,072,000</u>            | <u>29,875,626</u>            | <u>270,530,195</u>     | <u>44,165,032</u>   |
| Noncurrent Assets:                                 |  |                            |                               |                              |                        |   |
| Investments  | 4,096,763                                    | 6,150,992                  | -                             | 6,526,966                    | 16,774,721             | 14,177,741  |
| Costs Recoverable from Future Billings             | <u>588,590</u>                               | <u>355,773</u>             | <u>3,819,000</u>              | <u>-</u>                     | <u>4,763,363</u>       | <u>-</u>  |
| Restricted Assets:                                 |  |                            |                               |                              |                        |   |
| Cash and Cash Equivalents                          | -  | -                          | 644,000                       | 2,952,771                    | 3,596,771              | -   |
| Investments  | 7,364,873                                    | 7,749,487                  | 17,272,000                    | 3,575,394                    | 35,961,754             | -   |
| Receivables  | -  | -                          | -                             | 21,573                       | 21,573                 | -   |
| Due from Other Funds                               | <u>970,475</u>                               | <u>5,554,340</u>           | <u>-</u>                      | <u>-</u>                     | <u>6,524,815</u>       | <u>-</u>  |
| Total Restricted Assets                            | <u>8,335,348</u>                             | <u>13,303,827</u>          | <u>17,916,000</u>             | <u>6,549,738</u>             | <u>46,104,913</u>      | <u>-</u>  |
| Capital Assets:                                    |  |                            |                               |                              |                        |   |
| Land   | 6,995,636                                    | 5,737,347                  | -                             | 12,715,151                   | 25,448,134             | 1,594,451   |
| Buildings  | 81,530,458                                   | 82,113,847                 | -                             | 80,085,398                   | 243,729,703            | 17,865,864  |
| Improvements Other Than Buildings                  | 323,087,528                                  | 375,785,802                | -                             | 65,073,634                   | 763,946,964            | 759,550   |
| Machinery and Equipment                            | 13,785,451                                   | 26,957,943                 | -                             | 20,449,786                   | 61,193,180             | 40,430,964  |
| Utility Plant                                      | -  | -                          | 1,521,767,000                 | -                            | 1,521,767,000          | -   |
| Construction in Progress                           | 7,642,088                                    | 18,937,236                 | 116,933,000                   | 1,342,613                    | 144,854,937            | 37,955  |
| Less Accumulated Depreciation                      | <u>(153,649,599)</u>                         | <u>(165,647,112)</u>       | <u>(734,545,000)</u>          | <u>(75,389,208)</u>          | <u>(1,129,230,919)</u> | <u>(29,243,696)</u>   |
| Total Capital Assets, Net                          | <u>279,391,562</u>                           | <u>343,885,063</u>         | <u>904,155,000</u>            | <u>104,277,374</u>           | <u>1,631,708,999</u>   | <u>31,445,088</u>   |
| Total Noncurrent Assets                            | <u>292,412,263</u>                           | <u>363,695,655</u>         | <u>925,890,000</u>            | <u>117,354,078</u>           | <u>1,699,351,996</u>   | <u>45,622,829</u>   |
| Total Assets                                       | <u>314,641,600</u>                           | <u>394,048,887</u>         | <u>1,113,962,000</u>          | <u>147,229,704</u>           | <u>1,969,882,191</u>   | <u>89,787,861</u>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>              |  |                            |                               |                              |                        |   |
| Deferred Loss on Refunding                         | 732,627                                      | 498,832                    | 15,455,000                    | 15,868                       | 16,702,327             | -   |
| Deferred Outflows for Pension                      | -  | -                          | -                             | 313,130                      | 313,130                | -   |
| Deferred Outflows for OPEB                         | <u>31,557</u>                                | <u>45,479</u>              | <u>-</u>                      | <u>52,815</u>                | <u>129,851</u>         | <u>52,908</u>   |
| Total Deferred Outflows of Resources               | <u>764,184</u>                               | <u>544,311</u>             | <u>15,455,000</u>             | <u>381,813</u>               | <u>17,145,308</u>      | <u>52,908</u>   |

(Continued)



|   | Business-Type Activities -- Enterprise Funds |                            |                               |                              |                      | Governmental<br>Activities --<br>Internal<br>Service<br>Funds |
|---|--|----------------------------|-------------------------------|------------------------------|----------------------|---|
|   | Lincoln<br>Wastewater<br>System              | Lincoln<br>Water<br>System | Lincoln<br>Electric<br>System | Other<br>Enterprise<br>Funds | Total                |   |
| <b>LIABILITIES</b>                              |  |                            |                               |                              |                      |   |
| Current Liabilities:                            |  |                            |                               |                              |                      |   |
| Accounts Payable                                | \$ 679,131                                   | 909,695                    | 23,507,000                    | 1,925,503                    | 27,021,329           | 1,919,357   |
| Construction Contracts                          | 2,404,584                                    | 2,568,490                  | -                             | -                            | 4,973,074            | -   |
| Accrued Liabilities                             | 562,209                                      | 883,878                    | 29,137,000                    | 435,808                      | 31,018,895           | 344,153   |
| Accrued Compensated Absences                    | 402,869                                      | 488,262                    | -                             | 643,560                      | 1,534,691            | 959,884   |
| Due to Other Funds                              | -  | -                          | -                             | 752,384                      | 752,384              | 606,763   |
| Due to Other Governments                        | -  | -                          | -                             | 253,174                      | 253,174              | 25,093  |
| Unearned Revenue                                | -  | -                          | -                             | 6,544,562                    | 6,544,562            | 23,554  |
| Claims  | -  | -                          | -                             | -                            | -                    | 5,004,325   |
| Accrued Interest                                | 449,507                                      | 113,259                    | 8,227,000                     | 79,220                       | 8,868,986            | 108,246   |
| Current Portion of Notes Payable                | -  | -                          | 95,500,000                    | 200,000                      | 95,700,000           | -   |
| Current Portion of Capital Lease                | 20,884                                       | -                          | -                             | 309,183                      | 330,067              | 1,585,215   |
| Current Portion of Long-Term Debt               | 4,858,054                                    | 4,636,755                  | 19,480,000                    | 2,190,000                    | 31,164,809           | -   |
| Total Current Liabilities                       | <u>9,377,238</u>                             | <u>9,600,339</u>           | <u>175,851,000</u>            | <u>13,333,394</u>            | <u>208,161,971</u>   | <u>10,576,590</u>   |
| Noncurrent Liabilities:                         |  |                            |                               |                              |                      |   |
| Accrued Compensated Absences                    | 518,777                                      | 779,193                    | -                             | 172,089                      | 1,470,059            | 1,151,172   |
| Claims  | -  | -                          | 532,000                       | -                            | 532,000              | 6,328,048   |
| Notes Payable                                   | -  | -                          | -                             | 800,000                      | 800,000              | -   |
| Capital Lease Payable                           | 115,564                                      | -                          | -                             | 850,567                      | 966,131              | 10,612,737  |
| Long-Term Debt, Net                             | 67,350,153                                   | 43,867,782                 | 625,485,000                   | 32,486,918                   | 769,189,853          | -   |
| Accrued Liabilities                             | -  | -                          | 646,000                       | -                            | 646,000              | -   |
| Net Pension Liability                           | -  | -                          | -                             | 2,709,034                    | 2,709,034            | -   |
| Total OPEB Liability                            | 527,965                                      | 760,902                    | -                             | 884,287                      | 2,173,154            | 885,177   |
| Accrued Landfill Closure/Postclosure Care Costs | -  | -                          | -                             | 23,400,000                   | 23,400,000           | -   |
| Total Noncurrent Liabilities                    | <u>68,512,459</u>                            | <u>45,407,877</u>          | <u>626,663,000</u>            | <u>61,302,895</u>            | <u>801,886,231</u>   | <u>18,977,134</u>   |
| Total Liabilities                               | <u>77,889,697</u>                            | <u>55,008,216</u>          | <u>802,514,000</u>            | <u>74,636,289</u>            | <u>1,010,048,202</u> | <u>29,553,724</u>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>            |  |                            |                               |                              |                      |   |
| Deferred Inflows for Pension                    | -  | -                          | -                             | 925,665                      | 925,665              | -   |
| Deferred Inflows for OPEB                       | 27,614                                       | 39,798                     | -                             | 46,216                       | 113,628              | 46,298  |
| Total Deferred Inflows of Resources             | <u>27,614</u>                                | <u>39,798</u>              | <u>-</u>                      | <u>971,881</u>               | <u>1,039,293</u>     | <u>46,298</u>   |
| <b>NET POSITION</b>                             |  |                            |                               |                              |                      |   |
| Net Investment in Capital Assets                | 205,511,398                                  | 293,310,868                | 223,373,000                   | 71,612,428                   | 793,807,694          | 19,160,710  |
| Restricted for:                                 |  |                            |                               |                              |                      |   |
| Debt Service                                    | 6,458,727                                    | 5,687,536                  | 6,384,000                     | 176,845                      | 18,707,108           | -   |
| Capital Projects                                | 970,475                                      | 5,554,340                  | -                             | 2,679,244                    | 9,204,059            | -   |
| Other   | -  | -                          | 935,000                       | -                            | 935,000              | -   |
| Unrestricted                                    | 24,547,873                                   | 34,992,440                 | 96,211,000                    | (2,465,170)                  | 153,286,143          | 41,080,037  |
| Total Net Position                              | <u>\$ 237,488,473</u>                        | <u>339,545,184</u>         | <u>326,903,000</u>            | <u>72,003,347</u>            | <u>975,940,004</u>   | <u>60,240,747</u>   |

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, 2018**

|  | Business-Type Activities -- Enterprise Funds |                            |                               |                              |                     | Governmental<br>Activities --<br>Internal<br>Service<br>Funds |
|--|--|----------------------------|-------------------------------|------------------------------|---------------------|---|
|  | Lincoln<br>Wastewater<br>System              | Lincoln<br>Water<br>System | Lincoln<br>Electric<br>System | Other<br>Enterprise<br>Funds | Total               |   |
| <b>Operating Revenues</b>                            |  |                            |                               |                              |                     |   |
| Charges for Services                                 | \$ 31,409,050                                | 38,981,816                 | 306,765,000                   | 9,780,977                    | 386,936,843         | 79,715,833  |
| Fees   | -  | -                          | -                             | 12,824,089                   | 12,824,089          | -   |
| Parking Revenue                                      | -  | -                          | -                             | 12,152,382                   | 12,152,382          | -   |
| Performance Revenue                                  | -  | -                          | -                             | 9,621,765                    | 9,621,765           | -   |
| Other Operating Revenue                              | -  | -                          | 14,784,000                    | 2,815,326                    | 17,599,326          | -   |
| Total Operating Revenues                             | <u>31,409,050</u>                            | <u>38,981,816</u>          | <u>321,549,000</u>            | <u>47,194,539</u>            | <u>439,134,405</u>  | <u>79,715,833</u>   |
| <b>Operating Expenses</b>                            |  |                            |                               |                              |                     |   |
| Personal Services                                    | -  | -                          | -                             | 15,489,570                   | 15,489,570          | 15,799,143  |
| Contractual Services                                 | -  | -                          | -                             | 9,487,254                    | 9,487,254           | -   |
| Operation and Maintenance                            | 12,941,460                                   | 15,713,802                 | 28,920,000                    | 13,011,489                   | 70,586,751          | 53,855,512  |
| Purchased Power                                      | -  | -                          | 146,495,000                   | -                            | 146,495,000         | -   |
| Depreciation   | 8,815,189                                    | 8,846,888                  | 52,134,000                    | 5,550,959                    | 75,347,036          | 3,387,296   |
| Administrative Costs                                 | 1,921,761                                    | 2,054,642                  | 39,925,000                    | -                            | 43,901,403          | -   |
| Total Operating Expenses                             | <u>23,678,410</u>                            | <u>26,615,332</u>          | <u>267,474,000</u>            | <u>43,539,272</u>            | <u>361,307,014</u>  | <u>73,041,951</u>   |
| Operating Income                                     | <u>7,730,640</u>                             | <u>12,366,484</u>          | <u>54,075,000</u>             | <u>3,655,267</u>             | <u>77,827,391</u>   | <u>6,673,882</u>  |
| <b>Nonoperating Revenues (Expenses)</b>              |  |                            |                               |                              |                     |   |
| Investment Earnings                                  | 155,416                                      | 260,148                    | 1,456,000                     | 326,206                      | 2,197,770           | 590,570   |
| Grant Revenue  | -  | -                          | -                             | 111,162                      | 111,162             | -   |
| Gain (Loss) on Disposal of Capital Assets            | -  | -                          | -                             | (69,420)                     | (69,420)            | 378,120   |
| Occupation Tax                                       | -  | -                          | -                             | 3,622,544                    | 3,622,544           | -   |
| Payments in Lieu of Taxes                            | -  | -                          | (10,831,000)                  | -                            | (10,831,000)        | -   |
| Net Costs Recoverable                                | (51,107)                                     | (48,767)                   | -                             | -                            | (99,874)            | -   |
| Interest Expense and Fiscal Charges                  | (2,019,050)                                  | (1,611,061)                | (22,389,000)                  | (1,400,936)                  | (27,420,047)        | (319,239)   |
| Other  | -  | -                          | (10,502,000)                  | -                            | (10,502,000)        | -   |
| Total Nonoperating Revenues (Expenses)               | <u>(1,914,741)</u>                           | <u>(1,399,680)</u>         | <u>(42,266,000)</u>           | <u>2,589,556</u>             | <u>(42,990,865)</u> | <u>649,451</u>  |
| Income Before Contributions and Transfers            | 5,815,899                                    | 10,966,804                 | 11,809,000                    | 6,244,823                    | 34,836,526          | 7,323,333   |
| Capital Contributions                                | 5,282,107                                    | 9,308,930                  | 936,000                       | 4,527,533                    | 20,054,570          | 1,676,002   |
| Plant Costs Recovered through Capital Contributions  | -  | -                          | (936,000)                     | -                            | (936,000)           | -   |
| Transfers In   | -  | -                          | -                             | 537,251                      | 537,251             | 1,062,879   |
| Transfers Out  | -  | -                          | (9,543,000)                   | (3,679,430)                  | (13,222,430)        | (1,508,684)   |
| Change in Net Position                               | <u>11,098,006</u>                            | <u>20,275,734</u>          | <u>2,266,000</u>              | <u>7,630,177</u>             | <u>41,269,917</u>   | <u>8,553,530</u>  |
| Net Position - Beginning of Year, Before Restatement | 226,593,146                                  | 319,561,557                | 324,637,000                   | 64,130,182                   | 934,921,885         | 52,027,062  |
| Adjustment for Implementation of GASB 75             | <u>(202,679)</u>                             | <u>(292,107)</u>           | <u>-</u>                      | <u>242,988</u>               | <u>(251,798)</u>    | <u>(339,845)</u>  |
| Net Position - Beginning of Year, After Restatement  | <u>226,390,467</u>                           | <u>319,269,450</u>         | <u>324,637,000</u>            | <u>64,373,170</u>            | <u>934,670,087</u>  | <u>51,687,217</u>   |
| Net Position - Ending                                | <u>\$ 237,488,473</u>                        | <u>339,545,184</u>         | <u>326,903,000</u>            | <u>72,003,347</u>            | <u>975,940,004</u>  | <u>60,240,747</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, 2018**

|   | 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                               | \$ 30,930,486                                | 36,897,516           | 297,493,000             | 45,507,199             | 410,828,201       | 16,639,395  |
| Receipts from Interfund Services Provided                       | 186,608                                      | 997,692              | 6,447,000               | 1,633,128              | 9,264,428         | 62,993,435  |
| Payments to Suppliers for Goods and Services                    | (3,304,419)                                  | (5,288,910)          | (165,429,000)           | (17,678,185)           | (191,700,514)     | (48,005,833)                                      |
| Payments to Employees   | (8,012,522)                                  | (8,750,550)          | (29,663,000)            | (15,413,777)           | (61,839,849)      | (15,833,281)                                      |
| Payments for Interfund Services Provided                        | (3,122,144)                                  | (3,715,570)          | (1,545,000)             | (3,664,089)            | (12,046,803)      | (5,157,926)                                       |
| Other Receipts  | -  | -                    | -                       | 2,850,844              | 2,850,844         | -   |
| Net Cash Provided by Operating Activities                       | 16,678,009                                   | 20,140,178           | 107,303,000             | 13,235,120             | 157,356,307       | 10,635,790  |
| <b>Cash Flows from Noncapital Financing Activities</b>          |  |                      |                         |                        |                   |   |
| Occupation Tax  | -  | -                    | -                       | 3,612,279              | 3,612,279         | -   |
| Payments in Lieu of Taxes                                       | -  | -                    | (10,519,000)            | -                      | (10,519,000)      | -   |
| Transfers from Other Funds                                      | -  | -                    | -                       | 537,251                | 537,251           | 1,062,880   |
| Transfers to Other Funds  | -  | -                    | (9,552,000)             | (3,679,430)            | (13,231,430)      | (1,508,684)                                       |
| Advances from General Fund                                      | -  | -                    | -                       | 155,551                | 155,551           | 3,435,645   |
| Repayment of Advances from General Fund                         | -  | -                    | -                       | (511,162)              | (511,162)         | (3,521,659)                                       |
| Advances to Other Funds   | (45,836)                                     | (137,509)            | -                       | (137,290)              | (320,635)         | (91,527)  |
| Repayments from Other Funds                                     | -  | -                    | -                       | -                      | -                 | 58,473  |
| Grant Proceeds  | -  | -                    | -                       | 16,373                 | 16,373            | -   |
| Principal Payment of Long-Term Debt                             | -  | -                    | -                       | (200,000)              | (200,000)         | -   |
| Interest and Fiscal Charges Paid                                | -  | -                    | -                       | (2,280)                | (2,280)           | -   |
| Other   | -  | -                    | (380,000)               | -                      | (380,000)         | -   |
| Net Cash Used by Noncapital Financing Activities                | (45,836)                                     | (137,509)            | (20,451,000)            | (208,708)              | (20,843,053)      | (564,872)   |
| <b>Cash Flows from Capital and Related Financing Activities</b> |  |                      |                         |                        |                   |   |
| Additions to Capital Assets                                     | (9,534,849)                                  | (17,392,652)         | (80,312,000)            | (3,217,847)            | (110,457,348)     | (4,821,980)                                       |
| Capital Contributions   | 816,846                                      | 2,231,233            | 936,000                 | 10,191                 | 3,994,270         | -   |
| Grant Proceeds  | -  | 3,404,124            | -                       | -                      | 3,404,124         | -   |
| Proceeds from Sale of Capital Assets                            | -  | -                    | -                       | 91,325                 | 91,325            | 504,065   |
| Repayment of Advance from Other Fund                            | -  | -                    | -                       | (150,000)              | (150,000)         | -   |
| Proceeds from Issuance of Long-Term Debt                        | -  | -                    | 30,000,000              | 222,634                | 30,222,634        | -   |
| Funds Used for Bond Refunding                                   | (383,001)                                    | -                    | -                       | -                      | (383,001)         | -   |
| Net Cost of Retiring Plant                                      | -  | -                    | (2,414,000)             | -                      | (2,414,000)       | -   |
| Principal Payments of Capital Lease                             | (25,523)                                     | -                    | -                       | (310,364)              | (335,887)         | (1,546,475)                                       |
| Principal Payments of Long-Term Debt                            | (4,599,602)                                  | (4,517,445)          | (17,070,000)            | (2,155,000)            | (28,342,047)      | -   |
| Interest and Fiscal Charges Paid                                | (2,361,501)                                  | (1,877,042)          | (25,924,000)            | (1,466,217)            | (31,628,760)      | (368,284)   |
| Net Cash Used by Capital and Related Financing Activities       | (16,087,630)                                 | (18,151,782)         | (94,784,000)            | (6,975,278)            | (135,998,690)     | (6,232,674)                                       |
| <b>Cash Flows from Investing Activities</b>                     |  |                      |                         |                        |                   |   |
| Proceeds from Sale and Maturities of Investments                | 16,214,633                                   | 17,568,597           | 151,520,000             | 16,905,146             | 202,208,376       | 31,127,635  |
| Purchases of Investments  | (16,927,423)                                 | (19,655,018)         | (138,144,000)           | (19,853,106)           | (194,579,547)     | (37,485,540)                                      |
| Interest and Other Receipts                                     | 359,843                                      | 570,128              | 1,460,000               | 349,335                | 2,739,306         | 648,570   |
| Net Cash Provided (Used) by Investing Activities                | (352,947)                                    | (1,516,293)          | 14,836,000              | (2,598,625)            | 10,368,135        | (5,709,335)                                       |
| Net Increase (Decrease) in Cash and Cash Equivalents            | 191,596                                      | 334,594              | 6,904,000               | 3,452,509              | 10,882,699        | (1,871,091)                                       |
| Cash and Cash Equivalents - Beginning                           | 833,519                                      | 962,656              | 16,538,000              | 6,511,349              | 24,845,524        | 4,188,896   |
| Cash and Cash Equivalents - Ending                              | <u>\$ 1,025,115</u>                          | <u>1,297,250</u>     | <u>23,442,000</u>       | <u>9,963,858</u>       | <u>35,728,223</u> | <u>2,317,805</u>                                  |

(Continued)

|   | Business-Type Activities -- Enterprise Funds |                            |                               |                              |                    | Governmental<br>Activities --<br>Internal<br>Service<br>Funds |
|---|--|----------------------------|-------------------------------|------------------------------|--------------------|---|
|   | Lincoln<br>Wastewater<br>System              | Lincoln<br>Water<br>System | Lincoln<br>Electric<br>System | Other<br>Enterprise<br>Funds | Total              |   |
| <b>Reconciliation of Operating Income to Net Cash<br/>Provided by Operating Activities</b>            |  |                            |                               |                              |                    |   |
| Operating Income  | \$ 7,730,640                                 | 12,366,484                 | 54,075,000                    | 3,655,267                    | 77,827,391         | 6,673,882   |
| Adjustments to Reconcile Operating Income to<br>Net Cash Provided by Operating Activities:            |  |                            |                               |                              |                    |   |
| Depreciation  | 8,815,189                                    | 8,846,888                  | 52,134,000                    | 5,550,959                    | 75,347,036         | 3,387,296   |
| Changes in Assets, Deferred Outflows of Resources,<br>Liabilities, and Deferred Inflows of Resources: |  |                            |                               |                              |                    |   |
| Accounts Receivable and Unbilled Revenues   | (441,723)                                    | (1,061,408)                | 554,000                       | (466,823)                    | (1,415,954)        | 237,816   |
| Due from Other Funds  | -  | -                          | -                             | (98,849)                     | (98,849)           | (284,923)   |
| Due from Other Governments  | -  | -                          | -                             | (19,117)                     | (19,117)           | 23,192  |
| Inventories   | 50,064                                       | (133,189)                  | 2,550,000                     | (50,337)                     | 2,416,538          | (20,257)  |
| Plant Operation Assets  | -  | -                          | 1,055,000                     | -                            | 1,055,000          | -   |
| Prepaid Expenses  | -  | -                          | (949,000)                     | (39,151)                     | (988,151)          | 87,581  |
| Other Assets  | -  | -                          | 3,947,000                     | -                            | 3,947,000          | -   |
| Deferred Outflows for Pension   | -  | -                          | -                             | 237,738                      | 237,738            | -   |
| Deferred Outflows for OPEB  | (31,557)                                     | (45,479)                   | -                             | (52,815)                     | (129,851)          | (52,908)  |
| Accounts Payable  | 319,172                                      | 218,271                    | 4,248,000                     | 88,904                       | 4,874,347          | (265,507)   |
| Accrued Liabilities   | 165,338                                      | (46,890)                   | (10,302,000)                  | (25,284)                     | (10,208,836)       | (19,207)  |
| Accrued Compensated Absences  | 65,029                                       | (12,942)                   | -                             | 2,278                        | 54,365             | 28,154  |
| Due to Other Funds  | -  | -                          | -                             | 35,835                       | 35,835             | 185,315   |
| Due to Other Governments  | -  | -                          | -                             | (181,254)                    | (181,254)          | (30,578)  |
| Unearned Revenue  | -  | -                          | -                             | 3,357,445                    | 3,357,445          | (59,084)  |
| Claims  | -  | -                          | (9,000)                       | -                            | (9,000)            | 735,196   |
| Net Pension Liability   | -  | -                          | -                             | (201,859)                    | (201,859)          | -   |
| Total OPEB Liability  | (21,757)                                     | (31,355)                   | -                             | (32,275)                     | (85,387)           | (36,476)  |
| Accrued Landfill Closure/Postclosure Care Costs   | -  | -                          | -                             | 1,505,500                    | 1,505,500          | -   |
| Deferred Inflows for Pension  | -  | -                          | -                             | (77,258)                     | (77,258)           | -   |
| Deferred Inflows for OPEB   | 27,614                                       | 39,798                     | -                             | 46,216                       | 113,628            | 46,298  |
| Total Adjustments   | 8,947,369                                    | 7,773,694                  | 53,228,000                    | 9,579,853                    | 79,528,916         | 3,961,908   |
| Net Cash Provided by Operating Activities   | <u>\$ 16,678,009</u>                         | <u>20,140,178</u>          | <u>107,303,000</u>            | <u>13,235,120</u>            | <u>157,356,307</u> | <u>10,635,790</u>   |
| <b>Supplemental Disclosure of Noncash Investing,<br/>Capital, and Financing Activities:</b>           |  |                            |                               |                              |                    |   |
| Contribution of Capital Assets  | \$ 4,465,261                                 | 3,673,573                  | -                             | 4,517,342                    | 12,656,176         | 1,676,002   |
| Purchase of Capital Assets on Account   | 2,404,584                                    | 2,568,490                  | 2,471,000                     | 345,102                      | 7,789,176          | 86,426  |
| Change in Fair Value of Investments   | (204,427)                                    | (309,980)                  | 104,000                       | (60,325)                     | (470,732)          | (114,594)   |
| Debt Refunding/Defeasance   | 14,730,000                                   | -                          | -                             | -                            | 14,730,000         | -   |
| Acquisition of Leased Capital Assets  | 161,970                                      | -                          | -                             | -                            | 161,970            | -   |
| Capitalized Interest included in Capital Asset Additions  | -  | -                          | 673,000                       | -                            | 673,000            | -   |

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, 2018**

|                                       | Police &<br>Fire Pension<br>Trust Fund | Agency<br>Funds  |
|---------------------------------------|--|------------------|
|                                       | <u>Trust Fund</u>                      | <u>Funds</u>     |
| <b>ASSETS</b>                         |  |                  |
| Cash and Cash Equivalents             | \$ 1,365,433                           | 3,405,677        |
| Investments:                          |  |                  |
| Pooled Investment Funds               | 1,927,698                              | -                |
| Equities                              | 10,486,854                             | -                |
| Mutual Funds                          | 122,947,185                            | -                |
| Limited Partnership                   | 28,805,548                             | -                |
| Real Estate Limited Partnerships      | 80,338,433                             | -                |
| Total Investments                     | <u>244,505,718</u>                     | <u>-</u>         |
| Receivables:                          |  |                  |
| Contributions                         | 557,801                                | -                |
| Accrued Interest                      | 5,118                                  | -                |
| Other                                 | -                                      | 57,776           |
| Due from Other Governments            | 560                                    | -                |
| Contractor Retainage                  | <u>-</u>                               | <u>78,454</u>    |
| Total Assets                          | <u>246,434,630</u>                     | <u>3,541,907</u> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |  |                  |
| Deferred Outflows for OPEB            | <u>464</u>                             | <u>-</u>         |
| <b>LIABILITIES</b>                    |  |                  |
| Warrants Payable                      | -                                      | 973,590          |
| Accounts Payable                      | 14,738                                 | 296,747          |
| Accrued Liabilities                   | 3,370                                  | -                |
| Accrued Compensated Absences          | 12,675                                 | -                |
| Due to Other Governments              | 282                                    | 879,025          |
| Total OPEB Liability                  | 7,762                                  | -                |
| Due to Homeowners                     | -                                      | 2,647            |
| Due to Contractors                    | -                                      | 1,271,972        |
| Due to Bondholders                    | <u>-</u>                               | <u>117,926</u>   |
| Total Liabilities                     | <u>38,827</u>                          | <u>3,541,907</u> |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |  |                  |
| Deferred Inflows for OPEB             | <u>406</u>                             |                  |
| <b>NET POSITION</b>                   |  |                  |
| Net Position Restricted for Pensions  | <u>\$ 246,395,861</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, 2018**

|  | <u>Police &amp;<br/>Fire Pension<br/>Trust Fund</u> |
|--|---|
| Additions:   |   |
| Contributions:   |   |
| Employer   | \$ 8,068,138  |
| Employee   | 3,195,658   |
| Total Contributions  | <u>11,263,796</u>                                   |
| Investment Earnings:   |   |
| Interest   | 19,628  |
| Dividends  | 3,137,939   |
| Increase in Fair Value of Investments                                | 14,522,530  |
| Investment Earnings  | <u>17,680,097</u>                                   |
| Less Investment Expense  | (407,981)   |
| Net Investment Earnings  | <u>17,272,116</u>                                   |
| Total Additions  | <u>28,535,912</u>                                   |
| Deductions:  |   |
| Benefit Payments   | 15,246,359  |
| Refunds of Contributions   | 421,197   |
| Administrative Costs   | <u>310,064</u>                                      |
| Total Deductions   | <u>15,977,620</u>                                   |
| Change in Net Position   | <u>12,558,292</u>                                   |
| Net Position Restricted for Pensions - Beginning, Before Restatement | 233,840,546   |
| Adjustment for Implementation of GASB 75                             | <u>(2,977)</u>                                      |
| Net Position Restricted for Pensions - Beginning, After Restatement  | <u>233,837,569</u>                                  |
| Net Position Restricted for Pensions - Ending                        | <u><u>\$ 246,395,861</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, 2018**

**(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, as the City is ultimately responsible for the debt of the WHJPA if such revenues are insufficient to make the necessary debt service payments. Regarding related organizations, the City's Mayor appoints and the City Council approves all of the board appointments of the Housing Authority of the City of Lincoln. However, the City has no further accountability for this organization.

Blended component units, although legally separate entities, are, in substance, part of the government's operations. The participants in the WHJPA are the City and University of Nebraska (UNL), and the agency is governed by a board consisting of the Mayor, a member of the UNL Board of Regents, and a member of the City Council. The purpose of the agency is to make the most efficient use of the taxing authority and other powers of the participants to facilitate the redevelopment of the West Haymarket Redevelopment Area. The WHJPA almost exclusively benefits the City as its primary function is to finance and construct those City owned assets located in the redevelopment area. The WHJPA is reported as a major governmental fund in the City's financial statements. Complete separate financial statements for the WHJPA may be obtained at the City of Lincoln Finance Department, 555 South 10th Street, Suite 103, Lincoln, NE 68508, or online at [www.lincoln.ne.gov/city/finance/account/westhay/audits.htm](http://www.lincoln.ne.gov/city/finance/account/westhay/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, 2018. 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, 2017. The amounts included in the City's 2018 financial statements for LES are amounts as of and for the year ended December 31, 2017.

**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, 2018

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. Certain capital outlay expenditures reported in this fund are paid with a combination of these restricted resources and the proceeds from previous bond issuances.

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, 2018

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; and reserve funds held for the Public Building Commission Bonds.

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

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

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

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

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

##### Deposits and Investments

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

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

Investments in the Pension Trust Fund are carried at either fair value or net asset 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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2018

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".

Plant Operation Assets

LES' interest in jointly owned facilities Laramie River Station and Walter Scott Energy Center (see Note 23), is reported as plant operation assets on the statement of net position.

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.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, drainage systems, street lights, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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. Prior to September 1, 2017, and the implementation of GASB Statement No. 89, interest incurred during the construction phase of capital assets of business-type activities was included as part of the capitalization value of the assets constructed.

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2018

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

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

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

#### Compensated Absences

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

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

LES is covered by a separate personnel plan regarding vacation and sick leave with the liability for these benefits recorded in accrued liabilities.

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

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

#### Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. For current and advance refundings of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. The unamortized balance of the refunding gain or loss is reported as deferred inflows or outflows of resources, as applicable, on the statement of net position.

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 another 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.

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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. Once adopted, the limitations imposed by the ordinance remain in place until the adoption of another ordinance to remove or revise the limitation.

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. Unlike commitments, assignments generally only exist temporarily, as an additional formal action does not have to be taken to alter an assignment. Unassigned fund balance is the residual amount and only the General Fund can report a positive unassigned balance.

The City has established a policy intended to address the primary consideration of meeting unanticipated short-term cash flow needs of the City and the long-term goal of managing General Fund balances in a manner that at all times preserves the City's ability to meet its cash flow needs. No less than twenty percent of the ensuing year's General Fund budget is to be set aside to meet excess cash flow needs. Currently \$34,472,087 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 \$200,130,770 of restricted net position, of which enabling legislation restricts \$43,816,601.

*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.

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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) No later than June 15, 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, RP Crawford Park, and Vehicle Tax Residual Revenue), 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.



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ENDOWMENTS

The Community Health Permanent Endowment Fund was established in 1997 with the \$37,000,000 cash proceeds realized by the City from the sale of Lincoln General Hospital, and may be increased by donations, bequests, or appropriations to the fund. Investment earnings of the fund are used for funding health and health-related programs that further the health, safety, or welfare of the citizens of Lincoln. Earnings deposited with the City Treasurer shall be paid out only by order of those persons designated by the Community Health Endowment (CHE) Board of Trustees as outlined in the Fiscal and Budget Directives policy between the CHE and the City. State law directs that, subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. The current amount of net appreciation available for expenditure is \$27,571,140 which is reported along with \$865,000 of contingency funds 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 2018 the City implemented the provisions of the following GASB Statements:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. The revised requirements under Statement No. 75 establish new financial reporting requirements for state and local governments that provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, Statement No 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources that arise from other types of events related to OPEB to be recognized. Accordingly, the City has reported the cumulative effect of applying GASB 75 as a restatement of net position as of September 1, 2017. This restatement decreased previously reported net position for governmental activities by \$(4,913,423) and for business-type activities by \$(251,798).

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements, which are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. This statement requires a government to recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement, and revenue when the resources become applicable to the reporting period. At August 31, 2018, the City reported both a beneficial interest asset and deferred inflows of resources for beneficial interest revenue of \$3,541,924.

GASB Statement No. 85, *Omnibus 2017*. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The implementation of Statement 85 did not have an impact on the City's current financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on

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debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of Statement 86 did not have an impact on the City's current financial statements.

GASB Statement No 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Statement No. 89 requires that, in financial statements using the economic resources measurement focus, interest costs incurred before the end of a construction period be recognized as expenses in the period in which the costs are incurred. Previous governmental accounting standards guidance required such costs to be capitalized and included as a component of construction in progress for certain projects, and any amount capitalized was included in the historical costs of a capital asset reported in the financial statements. Statement 89 was applied prospectively, thus any interest costs capitalized in previous years were not removed from the historical costs of the related capital assets. The amounts included in the City's 2018 financial statements for LES are amounts as of and for the year ended December 31, 2017. LES has not implemented the provisions of Statement No. 89 in its December 31, 2017 financial statements.

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

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

The governmental funds balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position of governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, “Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of the \$554,608,830 difference are as follows:

|                                   |                       |
|-----------------------------------|-----------------------|
| Bonds Payable                     | \$ 419,953,372        |
| Less issuance discounts           | (989,238)             |
| Plus issuance premiums            | 12,767,414            |
| Plus deferred charge on refunding | 183,040               |
| Capital Leases Payable            | 25,730,399            |
| Accrued Interest Payable          | 4,385,348             |
| Net Pension Liability             | 47,851,096            |
| Deferred Outflows for Pension     | (3,962,233)           |
| Deferred Inflows for Pension      | 11,940,723            |
| Net OPEB Liability                | 15,696,148            |
| Deferred Outflows for OPEB        | (937,461)             |
| Deferred Inflows for OPEB         | 820,350               |
| Compensated Absences              | 21,183,660            |
| Other                             | (13,788)              |
| Net difference                    | <u>\$ 554,608,830</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 \$12,306,439 difference are as follows:

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|                      |                      |
|----------------------|----------------------|
| Capital outlay       | \$ 56,233,569        |
| Depreciation expense | (43,927,130)         |
| Net difference       | <u>\$ 12,306,439</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 \$12,078,337 difference are as follows:

|  |                      |
|--|----------------------|
| Debt issued or incurred:   |                      |
| Issuance of general obligation refunding bonds                               | \$ (4,345,000)       |
| Issuance of refunding capital lease  | (749,615)            |
| Issuance of capital lease  | (239,760)            |
| Issuance of certificates of participation                                    | (3,450,000)          |
| Issuance premiums  | (892,807)            |
| Amortization of deferred premiums, discounts,<br>and amounts from refundings | 783,882              |
| Transfers to bond refunding agent  | 5,706,591            |
| Principal repayments   | <u>15,265,046</u>    |
| Net difference   | <u>\$ 12,078,337</u> |

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$(694,554) difference are as follows:

|                                    |                     |
|------------------------------------|---------------------|
| Loss on disposal of capital assets | \$ (490,242)        |
| Accrued interest                   | 114,258             |
| Compensated absences               | (317,981)           |
| Other                              | <u>(589)</u>        |
| Net difference                     | <u>\$ (694,554)</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, Lincoln Electric System has assets restricted for paying employee health claims and for deposits provided by both customers and developers.

A recap of the proprietary funds restrictions and related balances at August 31, 2018, are as follows:

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| Fund Account                       | Parking<br>System | Solid<br>Waste<br>Management | Lincoln<br>Wastewater<br>System | Lincoln<br>Water<br>System | Lincoln<br>Electric<br>System | Total      |
|------------------------------------|-------------------|------------------------------|---------------------------------|----------------------------|-------------------------------|------------|
| Principal and Interest             | \$ 201,567        | -                            | 1,458,048                       | 413,494                    | 14,579,000                    | 16,652,109 |
| Reserve                            | 2,551,843         | 1,117,084                    | 5,450,186                       | 5,387,300                  | 16,733,000                    | 31,239,413 |
| Surplus                            | -                 | -                            | 456,639                         | 1,948,693                  | -                             | 2,405,332  |
| Renewal and Replacement            | 2,449,521         | -                            | -                               | -                          | -                             | 2,449,521  |
| Capital Construction and Equipment | 209,423           | 20,300                       | 970,475                         | 5,554,340                  | -                             | 6,754,538  |
| Customer/Developer Deposits        | -                 | -                            | -                               | -                          | 1,996,000                     | 1,996,000  |
| Claims                             | -                 | -                            | -                               | -                          | 2,162,000                     | 2,162,000  |
| Total                              | \$ 5,412,354      | 1,137,384                    | 8,335,348                       | 13,303,827                 | 35,470,000                    | 63,658,913 |

Resources of the permanent funds totaling \$37,160,000 are legally restricted to the extent that only earnings and not principal may be used to support the City's programs.

**(4) DEPOSITS AND INVESTMENTS**

**DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State Statutes 15-846 and 15-847 R.R.S., 1943 require banks either to provide a bond, provide a Federal Home Loan Bank letter of credit, or to pledge government securities (types of which are specifically identified in the Statutes) to the City Treasurer in the amount of the City's deposits. The Statutes allow pledged securities to be reduced by the amount of the deposit insured by the Federal Deposit Insurance Corporation (FDIC).

The City's cash deposits, including certificates of deposit, are insured up to \$250,000 by the FDIC. At August 31, 2018, at a single financial institution, \$211,733 of the City's bank balance was uninsured and uncollateralized. Subsequent to year-end, additional collateral was pledged by the financial institution for the uncollateralized balance. The City's remaining cash deposits and 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. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

**INVESTMENTS**

**Fair Value Measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

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The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at August 31, 2018.

Money Market Funds and External Investment Trusts are carried at cost, and thus are not included within the fair value hierarchy. Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient have also not been classified in the fair value hierarchy. Other than the pension trust fund investments noted specifically on page 49, the City's remaining investments carried at net asset value have no unfunded commitments and these investments can be redeemed at any time. These investments have been noted with NAV in the table below.

At August 31, 2018, the City had the following investments, maturities, credit ratings, and fair value measurement:

|  | August 31, 2018       |                    |                    |                  |                  |                                 |           |                    |
|--|-----------------------|--------------------|--------------------|------------------|------------------|---------------------------------|-----------|--------------------|
|  | Maturities in Years   |                    |                    |                  |                  |                                 |           |                    |
| Type   | Carrying Value        | Less than 1        | 1-5                | 6-10             | More than 10     | Credit Rating<br>Moody's    S&P |           | Hierarchy<br>Level |
| <b>General City:</b>                         |                       |                    |                    |                  |                  |                                 |           |                    |
| U.S. Treasury Obligations                    | \$ 144,393,972        | 124,727,802        | 19,666,170         | -                | -                | Aaa                             | AA+       | 2                  |
| U.S. Sponsored Agency Obligations            | 294,375,188           | 186,574,738        | 103,056,092        | 4,744,358        | -                | Aaa                             | AA+       | 2                  |
| Commercial Issuers (Commercial Paper)        | 44,126,000            | 44,126,000         | -                  | -                | -                | P1                              | A1        | 2                  |
| Money Market Funds - U.S. Treasury           | 4,163,874             | 4,163,874          | -                  | -                | -                | Aaa-mf                          | AAAm      | N/A                |
| Money Market Funds - U.S. Agencies           | 34,822,293            | 34,822,293         | -                  | -                | -                | Aaa                             | AAAm      | N/A                |
| External Investment Trust                    | 9,600,000             | 9,600,000          | -                  | -                | -                | Not rated                       | Not rated | N/A                |
| Tax Increment Financing Investments          | 10,482,911            | 407,026            | 1,055,088          | 4,492,487        | 4,528,310        | Not rated                       | Not rated | 2                  |
| Equities                                     | 3,847,039             | 3,847,039          | -                  | -                | -                | Not rated                       | Not rated | 1                  |
| <b>Total General City</b>                    | <u>545,811,277</u>    | <u>408,268,772</u> | <u>123,777,350</u> | <u>9,236,845</u> | <u>4,528,310</u> |                                 |           |                    |
| <b>Community Health Endowment:</b>           |                       |                    |                    |                  |                  |                                 |           |                    |
| Money Market Mutual Funds                    | 2,203,744             | 2,203,744          | -                  | -                | -                | Not rated                       | Not rated | N/A                |
| Institutional funds                          |                       |                    |                    |                  |                  |                                 |           |                    |
| Fixed income                                 | 9,526,726             | -                  | 8,608,799          | -                | 917,927          | Not rated                       | Not rated | NAV                |
| Intermediate term credit                     | 2,558,255             | -                  | 2,558,255          | -                | -                | Not rated                       | Not rated | NAV                |
| Large cap equity                             | 9,021,766             | 9,021,766          | -                  | -                | -                | Not rated                       | Not rated | NAV                |
| International equity                         | 13,609,621            | 13,609,621         | -                  | -                | -                | Not rated                       | Not rated | NAV                |
| High-yield bonds                             | 5,721,191             | -                  | -                  | 5,721,191        | -                | Not rated                       | Not rated | NAV                |
| Emerging markets equity                      | 3,121,147             | 3,121,147          | -                  | -                | -                | Not rated                       | Not rated | NAV                |
| Mid cap equity                               | 2,567,777             | 2,567,777          | -                  | -                | -                | Not rated                       | Not rated | NAV                |
| U.S. treasuries                              | 5,746,050             | -                  | 5,746,050          | -                | -                | Not rated                       | Not rated | NAV                |
| Small cap equity                             | 3,258,877             | 3,258,877          | -                  | -                | -                | Not rated                       | Not rated | NAV                |
| Commodities                                  | 4,972,333             | 4,972,333          | -                  | -                | -                | Not rated                       | Not rated | NAV                |
| Real Estate                                  | 1,292,280             | 1,292,280          | -                  | -                | -                | Not rated                       | Not rated | NAV                |
| Limited Partnership                          | 310,340               | 310,340            | -                  | -                | -                | Not rated                       | Not rated | NAV                |
| <b>Total Community Health Endowment:</b>     | <u>63,910,107</u>     | <u>40,357,885</u>  | <u>16,913,104</u>  | <u>5,721,191</u> | <u>917,927</u>   |                                 |           |                    |
| <b>Police &amp; Fire Pension Trust:</b>      |                       |                    |                    |                  |                  |                                 |           |                    |
| Equities                                     | 10,486,854            | 10,486,854         | -                  | -                | -                | Not rated                       | Not rated | 1                  |
| Mutual Funds                                 | 122,947,185           | 122,947,185        | -                  | -                | -                | Not rated                       | Not rated | 1                  |
|  | 133,434,039           | 133,434,039        | -                  | -                | -                |                                 |           |                    |
| Limited Partnerships                         | 28,805,548            |                    |                    |                  |                  |                                 |           | NAV                |
| Real Estate Limited Partnerships             | 80,338,433            |                    |                    |                  |                  |                                 |           | NAV                |
| <b>Total Police &amp; Fire Pension Trust</b> | <u>242,578,020</u>    |                    |                    |                  |                  |                                 |           |                    |
| Total Primary Government                     | <u>\$ 852,299,404</u> |                    |                    |                  |                  |                                 |           |                    |

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to,

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yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The City has no investments at August 31, 2018 that are classified within Level 3 of the hierarchy.

## 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         | AAm            | ---            |
| Corporate Notes       | AA-            | Aa3            |
| Investment Agreements | AA-            | Aa3            |
| Commercial Paper      | A-1            | P-1            |
| Bankers' Acceptance   | A-1            | P-1            |
| Local Government Debt | AA             | Aa             |

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. These Funds are carried by the City at amortized cost. NPAIT and STFIT invest in only the highest quality securities, including U.S. government, rated U.S. sponsored agencies, and guaranteed student loans, and their investment portfolios are valued at amortized cost, which approximates fair value based on the short-term nature of the instruments.

*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.

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| <u>Type</u>                               | <u>Portfolio<br/>Composition</u> | <u>Policy Limits<br/>on Issuer</u> |
|---|----------------------------------|------------------------------------|
| U.S. agency obligations:                  |                                  |                                    |
| Federal Home Loan Bank                    | 23.14 %                          | 40.00 %                            |
| Federal Home Loan Mortgage Corporation    | 15.32                            | 40.00                              |
| Federal National Mortgage Association     | 8.79                             | 40.00                              |
| Federal Farm Credit Bank                  | 6.69                             | 40.00                              |
| Federal Agricultural Mortgage Corporation | 0.00                             | 25.00                              |

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. All investments are held in CHE's name.

*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, 2018.

*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 that may be invested in any one sector, 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, 2018.

Police & Fire Pension Trust Policy

The Police & Fire Pension Trust Investment Board, established by the City Council in accordance with 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.

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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, and 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 asset allocation as of August 31, 2018:

| <u>Asset Class</u>                 | <u>Target<br/>Allocation</u> |
|------------------------------------|------------------------------|
| Developed Markets Equity           | 35.0 %                       |
| Emerging Markets Equity            | 5.0                          |
| Private Equity                     | 10.0                         |
| Fixed Rate Debt (Intermediate)     | 5.0                          |
| Fixed Rate High Yield Bonds        | 5.0                          |
| Private Credit                     | 10.0                         |
| Low Volatility Hedge Funds         | 10.0                         |
| Master Limited Partnerships (MLPs) | 5.0                          |
| Private Real Estate                | <u>15.0</u>                  |
| Total                              | <u><u>100.0</u></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.* The policy places no limit on the amount that may be invested in any one issuer. The following individual investments currently held by the Plan are greater than 5% of the Plan's fiduciary net position:

|  |         |
|--|---------|
| Vanguard Total Stock Market Index        | 12.00 % |
| American New Perspective R6              | 11.60   |
| RREEF America REIT II                    | 10.67   |
| Vanguard Total Intl Stock Index Fund Ins | 10.70   |
| Dodge and Cox Global Stock Fund          | 10.92   |
| J.P. Morgan Core Bond Fund               | 10.73   |
| Parametric Defensive Equity Fund LLC     | 5.01    |



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The Trust is required to fund the following additional amounts in accordance with the related investment agreements:

Tenaska TPF II, LP - \$66,521

Aberdeen U.S. Private Equity VI - \$1,350,000

Weathergale Venture Capital IV - \$1,890,000

Golub Capital Partners International Fund 11 - \$2,800,000

Principal Real Estate Debt Fund II - \$5,617,183

Summary of Deposit and Investment Balances

Following is a reconciliation of the City's deposit and investment balances as of August 31, 2018:

|                           | Totals  |   |                    |
|---------------------------|---|---|--------------------|
| Investments               | \$ 852,299,404                                  |   |                    |
| Deposits and Cash on Hand | 13,343,563                                      |   |                    |
|                           | <u>\$ 865,642,967</u>                           |   |                    |
|                           | Government-wide<br>Statement of<br>Net Position | Fiduciary Funds<br>Statement of<br>Net Position | Totals             |
| Cash and Cash Equivalents | \$ 47,496,312                                   | 4,771,110                                       | 52,267,422         |
| Investments               | 474,597,302                                     | 244,505,718                                     | 719,103,020        |
| Restricted Assets:        |   |   |                    |
| Cash and Cash Equivalents | 9,201,771                                       | -   | 9,201,771          |
| Investments               | 85,070,754                                      | -   | 85,070,754         |
|                           | <u>\$ 616,366,139</u>                           | <u>249,276,828</u>                              | <u>865,642,967</u> |

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**(5) FUND BALANCES**

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

|   | Major Funds   |              |            | Other        |             |
|---|---------------|--------------|------------|--------------|-------------|
|   | General       | Street       | West       | Governmental |             |
|   | Fund          | Construction | Haymarket  | Funds        | Total       |
|   |               |              | JPA        |              |             |
| Fund Balances:                              |               |              |            |              |             |
| Nonspendable:                               |               |              |            |              |             |
| Inventory                                   | \$ 391,693    | 312,222      | -          | 742,375      | 1,446,290   |
| Prepaid Items                               | 180,029       | -            | 300,453    | -            | 480,482     |
| Permanent Fund Principal                    | -             | -            | -          | 37,160,000   | 37,160,000  |
| Total Nonspendable                          | 571,722       | 312,222      | 300,453    | 37,902,375   | 39,086,772  |
| Restricted For:                             |               |              |            |              |             |
| Capital Improvements                        | 2,244,961     | 39,929,601   | 1,287,812  | 30,637,636   | 74,100,010  |
| Human Services                              | 1,401,598     | -            | -          | -            | 1,401,598   |
| Donor Purposes                              | 3,170,578     | -            | -          | 3,004,409    | 6,174,987   |
| Agency Activities                           | -             | -            | 1,631,642  | -            | 1,631,642   |
| Land Purchases                              | -             | -            | -          | 3,616,157    | 3,616,157   |
| Social Security Obligations                 | -             | -            | -          | 1,845,887    | 1,845,887   |
| Community Betterment                        | -             | -            | -          | 4,242,589    | 4,242,589   |
| Federal Loan Programs                       | -             | -            | -          | 18,006,000   | 18,006,000  |
| Grant Programs                              | -             | -            | -          | 1,353,285    | 1,353,285   |
| Special Assessment Improvements             | -             | -            | -          | 422,570      | 422,570     |
| Debt Service                                | -             | -            | -          | 9,261,327    | 9,261,327   |
| Health Care                                 | -             | -            | -          | 27,648,852   | 27,648,852  |
| Claims Contingencies                        | -             | -            | -          | 865,000      | 865,000     |
| Library Media                               | -             | -            | -          | 789,181      | 789,181     |
| Street Maintenance                          | -             | -            | -          | 893,900      | 893,900     |
| Total Restricted                            | 6,817,137     | 39,929,601   | 2,919,454  | 102,586,793  | 152,252,985 |
| Committed To:                               |               |              |            |              |             |
| Public Access Television                    | -             | -            | -          | 719,725      | 719,725     |
| Building Code Enforcement                   | -             | -            | -          | 305,149      | 305,149     |
| Debt Service                                | -             | -            | -          | 1,967,704    | 1,967,704   |
| Total Committed                             | -             | -            | -          | 2,992,578    | 2,992,578   |
| Assigned To:                                |               |              |            |              |             |
| Capital Improvements                        | -             | 25,329,846   | -          | 14,583       | 25,344,429  |
| Donor Purposes                              | 844,212       | -            | -          | -            | 844,212     |
| Public Improvements                         | 26,864        | -            | -          | -            | 26,864      |
| Athletic Facility Improvements              | 628,018       | -            | -          | -            | 628,018     |
| Senior Care                                 | 1,038,876     | -            | -          | -            | 1,038,876   |
| Emergency Communications                    | 2,340,599     | -            | -          | -            | 2,340,599   |
| Economic Development Projects               | 5,008,071     | -            | -          | -            | 5,008,071   |
| Snow Removal                                | -             | 964,838      | -          | -            | 964,838     |
| Debt Service                                | -             | -            | 33,907,080 | -            | 33,907,080  |
| Land Purchases                              | -             | -            | -          | 76,721       | 76,721      |
| Public Access Television                    | -             | -            | -          | 323,572      | 323,572     |
| Library Services                            | -             | -            | -          | 3,767,090    | 3,767,090   |
| Health Care                                 | -             | -            | -          | 4,493,783    | 4,493,783   |
| Social Security Obligations                 | -             | -            | -          | 455,533      | 455,533     |
| Public Transportation                       | -             | -            | -          | 3,793,752    | 3,793,752   |
| Community Betterment                        | -             | -            | -          | 182,500      | 182,500     |
| Building Code Enforcement                   | -             | -            | -          | 9,987,093    | 9,987,093   |
| Park Projects                               | -             | -            | -          | 188,526      | 188,526     |
| Subsequent Year's Appropriated Fund Balance | 6,358,584     | -            | -          | -            | 6,358,584   |
| Other Purposes                              | 143,907       | -            | -          | -            | 143,907     |
| Total Assigned                              | 16,389,131    | 26,294,684   | 33,907,080 | 23,283,153   | 99,874,048  |
| Unassigned                                  | 46,062,651    | -            | -          | (77,349)     | 45,985,302  |
| Total Fund Balances                         | \$ 69,840,641 | 66,536,507   | 37,126,987 | 166,687,550  | 340,191,685 |

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

Receivables at August 31, 2018, consist of the following (in thousands):

| Fund                | Taxes    | Accounts | Accrued Interest | Loans  | Special Assessment |          | Contributions | Gross Receivables | Allowance For Uncollectibles | Net    |
|---------------------|----------|----------|------------------|--------|--------------------|----------|---------------|-------------------|------------------------------|--------|
|                     |          |          |                  |        | Current            | Deferred |               |                   |                              |        |
| General             | \$ 3,382 | 2,273    | 199              | -      | -                  | -        | -             | 5,854             | -                            | 5,854  |
| Street Construction | -        | 31       | 195              | -      | -                  | -        | -             | 226               | -                            | 226    |
| West Haymarket JPA  | 1,632    | 388      | 242              | -      | -                  | -        | -             | 2,262             | -                            | 2,262  |
| Wastewater System   | -        | 5,381    | -                | -      | -                  | -        | -             | 5,381             | -                            | 5,381  |
| Water System        | -        | 7,644    | -                | -      | -                  | -        | -             | 7,644             | -                            | 7,644  |
| Electric System     | -        | 35,179   | 350              | -      | -                  | -        | -             | 35,529            | 816                          | 34,713 |
| Nonmajor -          |          |          |                  |        |                    |          |               |                   |                              |        |
| Special Revenue     | 1,419    | 326      | 237              | 22,545 | -                  | -        | -             | 24,527            | 4,539                        | 19,988 |
| Debt Service        | 942      | 380      | 50               | -      | 396                | 2,182    | -             | 3,950             | 187                          | 3,763  |
| Capital Projects    | -        | -        | 115              | -      | -                  | -        | -             | 115               | -                            | 115    |
| Permanent           | -        | 1        | 13               | -      | -                  | -        | -             | 14                | -                            | 14     |
| Enterprise          | -        | 7,152    | 133              | -      | -                  | -        | -             | 7,285             | 2,914                        | 4,371  |
| Internal Service    | -        | 227      | 236              | -      | -                  | -        | -             | 463               | -                            | 463    |
| Fiduciary           | -        | 58       | 5                | -      | -                  | -        | 558           | 621               | -                            | 621    |
| Total               | \$ 7,375 | 59,040   | 1,775            | 22,545 | 396                | 2,182    | 558           | 93,871            | 8,456                        | 85,415 |

Enterprise funds customer accounts receivable include unbilled charges for services. Delinquent special assessment receivables at August 31, 2018, were \$182,264.

The total of Due From Other Governments of \$27,216,185 includes the following significant items:

| <u>Fund/Fund Type</u>                        | <u>Amount</u>       | <u>Service</u>   |
|--|---------------------|--|
| General/Major Governmental                   | \$13,214,154        | State of Nebraska, July/August Sales & Use Tax             |
|  | 575,713             | August Motor Vehicle Taxes Collected by Lancaster County   |
|  | 15,772              | August Property Tax Interest Collected by Lancaster County |
|  | 29,133              | State of Nebraska, Cost Reimbursements                     |
|  | 135,698             | Lincoln Public Schools, Cost Reimbursements                |
|  | 45,410              | Federal Government, Cost Reimbursements                    |
|  | 159,778             | Lancaster County, Cost Reimbursements                      |
| Street Construction/Major Governmental       | 4,728,308           | State of Nebraska, July/August Highway User Fees           |
|  | 14,183              | Railroad Transportation Safety District, Share of Projects |
|  | 370,425             | State of Nebraska, Cost Reimbursements                     |
|  | 62,421              | Federal Government, Cost Reimbursements                    |
| West Haymarket JPA/Major Governmental        | 762,179             | Federal Government, Cost Reimbursements                    |
| Lincoln/Lancaster Co. Health/Special Revenue | 401,894             | Lancaster County, Cost Reimbursements                      |
| Federal Grants/Special Revenue               | 1,249,383           | Federal Government, Cost Reimbursements                    |
|  | 419,506             | State of Nebraska, Cost Reimbursements                     |
| Vehicle Tax Residual Revenue/Special Revenue | 893,900             | August Motor Vehicle Taxes Collected by Lancaster County   |
| Special Assessment/Debt Service              | 34,679              | August Special Assessments Collected by Lancaster County   |
| Vehicle Tax/Capital Projects                 | 893,899             | August Motor Vehicle Taxes Collected by Lancaster County   |
| Storm Sewer Bonds/Capital Projects           | 477,674             | Federal Government, Cost Reimbursements                    |
| Other Capital Projects/Capital Projects      | 2,212,436           | State of Nebraska, July/August Sales & Use Tax             |
|  | 305,550             | Federal Government, Cost Reimbursements                    |
| Pinnacle Bank Arena/Enterprise               | 24,365              | Lincoln Public Schools Billings                            |
| Solid Waste Management/Enterprise            | 94,789              | Federal Government, Cost Reimbursements                    |
| Information Services/Internal Service        | 14,158              | Lancaster County Billings                                  |
| Police Garage/Internal Service               | 6,632               | State of Nebraska Billings                                 |
|  | 45,018              | Lancaster County Billings                                  |
| Subtotal                                     | 27,187,057          |  |
| All other                                    | 29,128              |  |
| Total Due From Other Governments             | <u>\$27,216,185</u> |  |

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(7) **CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2018, was as follows:

|  | Beginning<br>Balances   | Increases          | Decreases          | Ending<br>Balances   |
|--|-------------------------|--------------------|--------------------|----------------------|
| <b>Governmental Activities:</b>              |                         |                    |                    |                      |
| Capital Assets, not being Depreciated:       |                         |                    |                    |                      |
| Land   | \$ 169,428,427          | 1,509,554          | 448,750            | 170,489,231          |
| Construction in Progress                     | 63,199,880              | 36,565,536         | 12,977,383         | 86,788,033           |
| Total Capital Assets, not being Depreciated  | <u>232,628,307</u>      | <u>38,075,090</u>  | <u>13,426,133</u>  | <u>257,277,264</u>   |
| Capital Assets, being Depreciated:           |                         |                    |                    |                      |
| Buildings                                    | 347,441,338             | 8,442,372          | 81,071             | 355,802,639          |
| Improvements Other Than Buildings            | 138,819,408             | 3,072,389          | 55,475             | 141,836,322          |
| Machinery and Equipment                      | 110,684,879             | 10,431,952         | 6,555,216          | 114,561,615          |
| Infrastructure                               | 954,560,931             | 36,102,949         | 527,461            | 990,136,419          |
| Total Capital Assets, being Depreciated      | <u>1,551,506,556</u>    | <u>58,049,662</u>  | <u>7,219,223</u>   | <u>1,602,336,995</u> |
| Less Accumulated Depreciation for:           |                         |                    |                    |                      |
| Buildings                                    | 66,428,159              | 7,735,783          | 68,439             | 74,095,503           |
| Improvements Other Than Buildings            | 44,373,100              | 4,421,154          | 55,475             | 48,738,779           |
| Machinery and Equipment                      | 70,909,289              | 7,543,661          | 6,387,632          | 72,065,318           |
| Infrastructure                               | 325,283,392             | 27,613,828         | 35,531             | 352,861,689          |
| Total Accumulated Depreciation               | <u>506,993,940</u>      | <u>47,314,426</u>  | <u>6,547,077</u>   | <u>547,761,289</u>   |
| Total Capital Assets, being Depreciated, Net | <u>1,044,512,616</u>    | <u>10,735,236</u>  | <u>672,146</u>     | <u>1,054,575,706</u> |
| Governmental Activities Capital Assets, Net  | <u>\$ 1,277,140,923</u> | <u>48,810,326</u>  | <u>14,098,279</u>  | <u>1,311,852,970</u> |
| <br>   |                         |                    |                    |                      |
|  | Beginning<br>Balances   | Increases          | Decreases          | Ending<br>Balances   |
| <b>Business-type Activities:</b>             |                         |                    |                    |                      |
| Capital Assets, not being Depreciated:       |                         |                    |                    |                      |
| Land   | \$ 25,247,402           | 204,754            | 4,022              | 25,448,134           |
| Construction in Progress                     | 92,740,991              | 112,906,013        | 60,792,067         | 144,854,937          |
| Total Capital Assets, not being Depreciated  | <u>117,988,393</u>      | <u>113,110,767</u> | <u>60,796,089</u>  | <u>170,303,071</u>   |
| Capital Assets, being Depreciated:           |                         |                    |                    |                      |
| Buildings                                    | 240,947,123             | 2,782,580          | -                  | 243,729,703          |
| Improvements Other Than Buildings            | 737,706,611             | 26,261,232         | 20,879             | 763,946,964          |
| Machinery and Equipment                      | 58,145,799              | 4,716,004          | 1,668,623          | 61,193,180           |
| Utility Plant                                | 1,486,425,000           | 39,052,000         | 3,710,000          | 1,521,767,000        |
| Total Capital Assets, being Depreciated      | <u>2,523,224,533</u>    | <u>72,811,816</u>  | <u>5,399,502</u>   | <u>2,590,636,847</u> |
| Less Accumulated Depreciation for:           |                         |                    |                    |                      |
| Buildings                                    | 95,371,247              | 5,512,277          | -                  | 100,883,524          |
| Improvements Other Than Buildings            | 240,090,998             | 14,437,634         | 16,594             | 254,512,038          |
| Machinery and Equipment                      | 37,520,627              | 3,263,125          | 1,493,395          | 39,290,357           |
| Utility Plant                                | 688,535,000             | 52,134,000         | 6,124,000          | 734,545,000          |
| Total Accumulated Depreciation               | <u>1,061,517,872</u>    | <u>75,347,036</u>  | <u>7,633,989</u>   | <u>1,129,230,919</u> |
| Total Capital Assets, being Depreciated, Net | <u>1,461,706,661</u>    | <u>(2,535,220)</u> | <u>(2,234,487)</u> | <u>1,461,405,928</u> |
| Business-type Activities Capital Assets, Net | <u>\$ 1,579,695,054</u> | <u>110,575,547</u> | <u>58,561,602</u>  | <u>1,631,708,999</u> |

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Depreciation expense was charged to functions/programs as follows:

|  |                      |
|--|----------------------|
| Governmental Activities:   |                      |
| General Government   | \$ 1,813,413         |
| Public Safety  | 2,314,905            |
| Streets and Highways, including Infrastructure                                 | 27,148,781           |
| Culture and Recreation   | 10,509,663           |
| Economic Opportunity   | 44,431               |
| Health and Welfare   | 319,868              |
| Mass Transit   | 1,776,069            |
| Subtotal   | <u>43,927,130</u>    |
| Internal Service Funds Capital Assets  |                      |
| Depreciation is charged to the various functions based on usage of the assets. | 3,387,296            |
| Total Depreciation Expense - Governmental                                      | <u>\$ 47,314,426</u> |
| Business-type Activities:  |                      |
| Golf   | \$ 455,266           |
| Parking System   | 2,153,223            |
| Pinnacle Bank Arena  | 25,735               |
| Solid Waste Management   | 2,312,500            |
| Emergency Medical Services   | 256,589              |
| Broadband Enterprise   | 347,646              |
| Wastewater System  | 8,815,189            |
| Water System   | 8,846,888            |
| Lincoln Electric System  | 52,134,000           |
| Total Depreciation Expense - Business-type                                     | <u>\$ 75,347,036</u> |

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

|  | Beginning<br>Balances | Increases         | Decreases        | Ending<br>Balances |
|--|-----------------------|-------------------|------------------|--------------------|
| <b>Lincoln Wastewater System:</b>            |                       |                   |                  |                    |
| Capital Assets, not being Depreciated:       |                       |                   |                  |                    |
| Land   | \$ 6,999,631          | 27                | 4,022            | 6,995,636          |
| Construction in Progress                     | <u>2,806,906</u>      | <u>10,546,788</u> | <u>5,711,606</u> | <u>7,642,088</u>   |
| Total Capital Assets, not being Depreciated  | <u>9,806,537</u>      | <u>10,546,815</u> | <u>5,715,628</u> | <u>14,637,724</u>  |
| Capital Assets, being Depreciated:           |                       |                   |                  |                    |
| Buildings                                    | 80,785,913            | 744,545           | -                | 81,530,458         |
| Improvements Other Than Buildings            | 315,338,086           | 7,749,442         | -                | 323,087,528        |
| Machinery and Equipment                      | <u>11,374,435</u>     | <u>2,446,832</u>  | <u>35,816</u>    | <u>13,785,451</u>  |
| Total Capital Assets, being Depreciated      | <u>407,498,434</u>    | <u>10,940,819</u> | <u>35,816</u>    | <u>418,403,437</u> |
| Less Accumulated Depreciation for:           |                       |                   |                  |                    |
| Buildings                                    | 34,305,535            | 1,837,021         | -                | 36,142,556         |
| Improvements Other Than Buildings            | 102,872,235           | 6,299,579         | -                | 109,171,814        |
| Machinery and Equipment                      | <u>7,687,324</u>      | <u>678,589</u>    | <u>30,684</u>    | <u>8,335,229</u>   |
| Total Accumulated Depreciation               | <u>144,865,094</u>    | <u>8,815,189</u>  | <u>30,684</u>    | <u>153,649,599</u> |
| Total Capital Assets, being Depreciated, Net | <u>262,633,340</u>    | <u>2,125,630</u>  | <u>5,132</u>     | <u>264,753,838</u> |
| Wastewater System Capital Assets, Net        | <u>\$ 272,439,877</u> | <u>12,672,445</u> | <u>5,720,760</u> | <u>279,391,562</u> |

CITY OF LINCOLN, NEBRASKA  
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|  | Beginning<br>Balances | Increases           | Decreases          | Ending<br>Balances |
|--|-----------------------|---------------------|--------------------|--------------------|
| <b>Lincoln Water System:</b>                 |                       |                     |                    |                    |
| Capital Assets, not being Depreciated:       |                       |                     |                    |                    |
| Land   | \$ 5,532,620          | 204,727             | -                  | 5,737,347          |
| Construction in Progress                     | 8,174,195             | 18,217,780          | 7,454,739          | 18,937,236         |
| Total Capital Assets, not being Depreciated  | <u>13,706,815</u>     | <u>18,422,507</u>   | <u>7,454,739</u>   | <u>24,674,583</u>  |
| Capital Assets, being Depreciated:           |                       |                     |                    |                    |
| Buildings                                    | 82,113,847            | -                   | -                  | 82,113,847         |
| Improvements Other Than Buildings            | 365,538,484           | 10,247,318          | -                  | 375,785,802        |
| Machinery and Equipment                      | 26,082,737            | 958,213             | 83,007             | 26,957,943         |
| Total Capital Assets, being Depreciated      | <u>473,735,068</u>    | <u>11,205,531</u>   | <u>83,007</u>      | <u>484,857,592</u> |
| Less Accumulated Depreciation for:           |                       |                     |                    |                    |
| Buildings                                    | 32,531,362            | 1,675,606           | -                  | 34,206,968         |
| Improvements Other Than Buildings            | 106,722,194           | 5,977,565           | -                  | 112,699,759        |
| Machinery and Equipment                      | 17,616,036            | 1,193,717           | 69,368             | 18,740,385         |
| Total Accumulated Depreciation               | <u>156,869,592</u>    | <u>8,846,888</u>    | <u>69,368</u>      | <u>165,647,112</u> |
| Total Capital Assets, being Depreciated, Net | <u>316,865,476</u>    | <u>2,358,643</u>    | <u>13,639</u>      | <u>319,210,480</u> |
| Water System Capital Assets, Net             | <u>\$ 330,572,291</u> | <u>20,781,150</u>   | <u>7,468,378</u>   | <u>343,885,063</u> |
| <br>   |                       |                     |                    |                    |
|  | Beginning<br>Balances | Increases           | Decreases          | Ending<br>Balances |
| <b>Lincoln Electric System:</b>              |                       |                     |                    |                    |
| Capital Assets, not being Depreciated:       |                       |                     |                    |                    |
| Construction in Progress                     | \$ 75,805,000         | 82,594,000          | 41,466,000         | 116,933,000        |
| Capital Assets, being Depreciated:           |                       |                     |                    |                    |
| Utility Plant                                | 1,486,425,000         | 39,052,000          | 3,710,000          | 1,521,767,000      |
| Less Accumulated Depreciation                | 688,535,000           | 52,134,000          | 6,124,000          | 734,545,000        |
| Total Capital Assets, being Depreciated, Net | <u>797,890,000</u>    | <u>(13,082,000)</u> | <u>(2,414,000)</u> | <u>787,222,000</u> |
| Electric System Capital Assets, Net          | <u>\$ 873,695,000</u> | <u>69,512,000</u>   | <u>39,052,000</u>  | <u>904,155,000</u> |

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

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' true interest cost of the most recent borrowing. The rate for 2017 was 2.3%.

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**(8) INTERFUND BALANCES AND ACTIVITY**

Balances Due To/From Other Funds at August 31, 2018, consist of the following:

|                           | Due To | Due From     |                     |                    |                       |                     |                  |
|---------------------------|--------|--------------|---------------------|--------------------|-----------------------|---------------------|------------------|
|                           |        | General Fund | Street Construction | West Haymarket JPA | Nonmajor Governmental | Nonmajor Enterprise | Internal Service |
| General Fund              | \$     | -            | 368                 | 95                 | 48,982                | 573,136             | 379,483          |
| Street Construction       |        | 558,354      | -                   | -                  | 9,440,836             | -                   | -                |
| West Haymarket JPA        |        | 7,532        | -                   | -                  | -                     | -                   | -                |
| Nonmajor Governmental     |        | 252,225      | -                   | -                  | 1,484,404             | 19,000              | -                |
| Lincoln Wastewater System |        | 45,836       | -                   | -                  | 970,475               | -                   | -                |
| Lincoln Water System      |        | 137,509      | -                   | -                  | 5,554,340             | -                   | -                |
| Nonmajor Enterprise       |        | 164,476      | 9,676               | 299,908            | 22,024                | -                   | -                |
| Internal Service          |        | 812,736      | 169,719             | 16,200             | 52,500                | 160,248             | 227,280          |
| Total                     | \$     | 1,978,668    | 179,763             | 316,203            | 17,573,561            | 752,384             | 606,763          |
|                           |        |              |                     |                    |                       |                     | 21,407,342       |

“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, 2018, consist of the following:

|                       | Transfer To | Transfer From |                     |                    |                       |                         |                     |
|-----------------------|-------------|---------------|---------------------|--------------------|-----------------------|-------------------------|---------------------|
|                       |             | General Fund  | Street Construction | West Haymarket JPA | Nonmajor Governmental | Lincoln Electric System | Nonmajor Enterprise |
| General Fund          | \$          | -             | -                   | -                  | 663,465               | 9,645,231               | 2,095,026           |
| Street Construction   |             | 1,320,571     | -                   | -                  | 19,157,671            | -                       | 14,116              |
| Nonmajor Governmental |             | 22,519,093    | 5,304,775           | -                  | 5,078,294             | -                       | 1,570,288           |
| Nonmajor Enterprise   |             | 54,971        | -                   | 202,280            | 80,000                | -                       | -                   |
| Internal Service      |             | 59,673        | 749,961             | -                  | 194,561               | -                       | -                   |
| Total                 | \$          | 23,954,308    | 6,054,736           | 202,280            | 25,173,991            | 9,645,231               | 3,679,430           |
|                       |             |               |                     |                    |                       |                         | 1,508,684           |
|                       |             |               |                     |                    |                       |                         | 70,218,660          |

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 \$102,231 variance for transfers on the Statement of Activities is caused by the different fiscal year end dates used by the City (August 31) and Lincoln Electric System (December 31). Lincoln Electric System records an estimate for payments of return on equity as an accrued liability at December 31. The City however, receives the payments before the August 31 fiscal year end, and records the total amount as a transfer in.

**(9) DEBT OBLIGATIONS**

**SHORT-TERM**

Established by City Ordinance, LES may borrow up to \$150 million under a commercial paper note program. The payment of the commercial paper notes is subordinated to the payment of the principal of, and interest on, the outstanding bonds. At December 31, 2017, 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, 2017, was 0.89%. The outstanding commercial paper notes are secured by a revolving credit agreement. There were no advances outstanding under the credit agreement at December 31, 2017. 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 2017 was 76 days.

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Commercial paper activity for the year ended December 31, 2017, is as follows:

|                                 | Beginning     |             |               | Ending     | Due Within |
|---------------------------------|---------------|-------------|---------------|------------|------------|
| <b>Lincoln Electric System:</b> | Balance       | Additions   | Reductions    | Balance    | One Year   |
| Commercial Paper Notes          | \$ 95,500,000 | 477,500,000 | (477,500,000) | 95,500,000 | 95,500,000 |

### LONG-TERM

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

Net position of \$3,779,454, \$4,268,572, \$931,078, and \$2,249,927 is currently available in the debt service funds to service the Tax Allocation Bonds, General Obligation Bonds, Tax Supported 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, entry corridor improvements, sidewalks, dump trucks, street sweepers, motor grader, emergency vehicles and equipment, 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<br>Activities | Business-Type<br>Activities |
|--|----------------------------|-----------------------------|
| Land   | \$ 1,780,066               | \$ 199,546                  |
| Buildings  | 28,980,700                 | 1,647,945                   |
| Improvements   | 5,070,465                  | -                           |
| Infrastructure                                       | 31,312,535                 | -                           |
| Machinery and Equipment                              | 10,960,176                 | 2,955,644                   |
| Construction in Progress                             | -                          | -                           |
| Less Accumulated Depreciation,<br>(where applicable) | (19,622,772)               | (2,696,482)                 |
| Total  | \$ 58,481,170              | \$ 2,106,653                |

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 September 2017, the Wastewater System issued \$13,235,000 of Sanitary Sewer Refunding Bonds with an average interest rate of 2.21% to refund \$14,730,000 of Wastewater Revenue Bonds, Series 2007. The System completed the advance refunding to reduce its total debt service payments for the next 15 years by \$2,688,002 for an economic gain (difference between the present values of the old and new debt service payments) of \$2,265,951.

In September 2017, the City issued \$4,345,000 of General Obligation Stormwater Refunding Bonds with an average interest rate of 4.49% to refund \$5,075,000 of General Obligation Stormwater Bonds, Series 2007. The City completed the advance refunding to reduce its total debt service payments for an economic gain of \$750,000.

In November 2017, LES entered into a revolving credit agreement with USBank National Association. The agreement permits LES to draw up to \$50 million on a variable rate basis. As of December 31, 2017, the rate was 1.362% and there was \$30 million outstanding under the agreement. The USBank revolving agreement terminates unless extended in accordance with its terms, on November 2, 2020. LES classifies this as a long-



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term liability on the balance sheet, as repayment of amounts drawn under the agreement are not required until the agreement's expiration date.

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 these loans 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 this loan is 3.25%.

Lincoln Water System has entered into a \$14,977,829 loan agreement with NDEQ to fund certain water system extension and water repairs. The interest rate throughout the term of the loan is 2.25%. In addition, an administrative fee of 1% will be incurred on the loan.

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:                                 |          |  |                       |                     |               |               |                   |
| \$ 8,200                                       | 02/10/11 | Stormwater Bonds                           | 2.000 - 4.500         | Serial 2013 to 2030 | 2020          | Semiannually  | \$ 5,950          |
| 19,290   | 06/21/11 | Refunding                                  | 0.200 - 5.000         | Serial 2011 to 2022 | 2019          | "             | 5,375             |
| 8,090  | 06/26/12 | Refunding                                  | 1.000 - 3.000         | Serial 2013 to 2023 | ---           | "             | 3,195             |
| 6,385  | 03/20/13 | Stormwater Bonds                           | 2.000 - 4.000         | Serial 2014 to 2029 | 2023          | "             | 4,965             |
| 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 | ---           | "             | 4,145             |
| 6,300  | 06/28/16 | Stormwater Bonds                           | 2.000 - 3.000         | Serial 2017 to 2036 | 2026          | "             | 6,025             |
| 4,345  | 09/20/17 | Stormwater Refunding Bonds                 | 2.000 - 5.000         | Serial 2018 to 2027 | ---           | "             | 4,105             |
| Total General Bonds                            |          |  |                       |                     |               |               | <u>\$ 35,275</u>  |
| Tax Allocation Bonds:                          |          |  |                       |                     |               |               |                   |
| \$ 2,205                                       | 04/05/07 | Tax Allocation Bonds                       | 5.000 - 5.550         | Serial 2009 to 2018 | 2012          | Semiannually  | \$ 275            |
| 601  | 06/01/07 | Tax Allocation Bonds                       | 5.240                 | Serial 2008 to 2018 | Anytime       | "             | 407               |
| 42   | 07/15/08 | Tax Allocation Bonds                       | 4.660                 | Serial 2009 to 2021 | Anytime       | "             | 13                |
| 71   | 07/15/08 | Tax Allocation Bonds                       | 4.660                 | Serial 2009 to 2017 | Anytime       | "             | 25                |
| 547  | 08/01/08 | Tax Allocation Bonds                       | 4.610                 | Serial 2009 to 2022 | Anytime       | "             | 196               |
| 200  | 08/01/08 | Tax Allocation Bonds                       | 4.610                 | Serial 2009 to 2022 | Anytime       | "             | 66                |
| 3,375  | 07/28/09 | Tax Allocation Bonds                       | 2.500 - 6.400         | Serial 2011 to 2023 | Anytime       | "             | 1,820             |
| 263  | 04/01/11 | Tax Allocation Bonds                       | 3.990                 | Serial 2011 to 2022 | Anytime       | "             | 112               |
| 103  | 04/15/13 | Tax Allocation Bonds                       | 2.370                 | Serial 2013 to 2025 | Anytime       | "             | 62                |
| 140  | 07/01/16 | Tax Allocation Bonds                       | 2.200                 | Serial 2016 to 2028 | Anytime       | "             | 120               |
| 600  | 12/01/16 | Tax Allocation Bonds                       | 2.300                 | Serial 2018 to 2021 | Anytime       | "             | 539               |
| 110  | 05/01/17 | Tax Allocation Bonds                       | 2.740                 | Serial 2018 to 2024 | Anytime       | "             | 103               |
| Total Tax Allocation Bonds                     |          |  |                       |                     |               |               | <u>\$ 3,738</u>   |
| Tax Supported Bonds:                           |          |  |                       |                     |               |               |                   |
| \$ 28,095                                      | 06/06/12 | Highway Allocation Fund Refunding          | 1.000 - 5.000         | Serial 2012 to 2023 | ---           | Semiannually  | \$ 16,265         |
| 14,735   | 12/15/16 | Highway Allocation Fund Refunding          | 2.000 - 5.000         | Serial 2018 to 2027 | 2026          | "             | 13,445            |
| 16,515   | 07/23/13 | Limited Tax Arena Bonds                    | 2.000 - 4.500         | Serial 2016 to 2031 | 2023          | "             | 13,810            |
| 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>\$ 52,005</u>  |
| Special Assessment Bonds:                      |          |  |                       |                     |               |               |                   |
| \$ 825   | 08/18/11 | Special Assessment                         | 0.400 - 3.700         | Serial 2012 to 2026 | 2016          | Semiannually  | \$ 475            |
| 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          | "             | 2,105             |
| Total Special Assessment Bonds                 |          |  |                       |                     |               |               | <u>\$ 2,955</u>   |
| West Haymarket Joint Public Agency Bonds:      |          |  |                       |                     |               |               |                   |
| \$ 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          | "             | 18,655            |
| 7,325  | 12/04/13 | Facility Bonds                             | 4.500                 | Term 2043           | 2023          | "             | 7,325             |
| Total West Haymarket Joint Public Agency Bonds |          |  |                       |                     |               |               | <u>\$ 325,980</u> |
| TOTAL GENERAL OBLIGATION BONDS                 |          |  |                       |                     |               |               | <u>\$ 419,953</u> |

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| Original Amount                  | Issued  | Issue    | Interest Rate                                | When Due              | Date Callable       | Interest Date | Outstanding            |
|----------------------------------|---------|----------|--|-----------------------|---------------------|---------------|------------------------|
| <b>Business-Type Activities:</b> |         |          |  |                       |                     |               |                        |
| Revenue Bonds:                   |         |          |  |                       |                     |               |                        |
| \$                               | 38,290  | 05/24/12 | Wastewater Revenue Refunding                 | 1.000 - 5.000         | Serial 2013 to 2028 | 2023          | Semiannually \$ 25,570 |
|                                  | 12,220  | 04/09/15 | Wastewater Revenue Refunding                 | 1.000 - 4.000         | Serial 2016 to 2030 | 2025          | " 10,110               |
|                                  | 13,235  | 09/13/17 | Wastewater Revenue Refunding                 | 2.000 - 5.000         | Serial 2018 to 2032 | 2027          | " 12,755               |
|                                  |         |          | Total Wastewater Bonds                       |                       |                     |               | \$ 48,435              |
| \$                               | 10,515  | 08/04/09 | Water Revenue                                | 2.000 - 4.125         | Serial 2013 to 2029 | 2019          | Semiannually \$ 7,530  |
|                                  | 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 | ---           | " 4,575                |
|                                  | 28,595  | 05/30/13 | Water Revenue Refunding                      | 1.000 - 5.000         | Serial 2014 to 2025 | 2023          | " 17,240               |
|                                  |         |          | Total Water Bonds                            |                       |                     |               | \$ 34,250              |
| \$                               | 7,745   | 01/27/11 | Parking Revenue and Refunding                | 2.000 - 5.000         | Serial 2015 to 2024 | 2021          | Semiannually \$ 5,480  |
|                                  | 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          | " 4,970                |
|                                  | 2,765   | 11/29/12 | Parking Revenue and Refunding                | 3.000                 | Term 2032           | 2022          | " 2,765                |
|                                  |         |          | Total Parking Bonds                          |                       |                     |               | \$ 23,990              |
| \$                               | 8,340   | 02/26/13 | Solid Waste Management Revenue and Refunding | 0.250 - 4.000         | Serial 2013 to 2029 | 2023          | Semiannually \$ 5,060  |
|                                  | 5,520   | 07/08/15 | Solid Waste Management Revenue               | 2.000 - 5.000         | Serial 2016 to 2035 | 2025          | " 4,845                |
|                                  |         |          | Total Solid Waste Management Bonds           |                       |                     |               | \$ 9,905               |
| \$                               | 93,045  | 10/01/03 | Electric Revenue and Refunding Bonds         | 3.000 - 5.000         | Serial 2004 to 2026 | 2013          | Semiannually \$ 1,150  |
|                                  | 247,150 | 08/15/12 | Electric Revenue and Refunding Bonds         | 1.000 - 5.000         | Serial 2013 to 2032 | 2022          | " 186,855              |
|                                  | 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               |
|                                  | 127,630 | 03/11/15 | Electric Revenue and Refunding Bonds         | 3.000 - 5.000         | Serial 2019 to 2036 | 2025          | " 127,090              |
|                                  | 40,170  | 03/11/15 | Electric Revenue and Refunding Bonds         | 4.000                 | Term 2040           | 2025          | " 40,710               |
|                                  | 116,645 | 09/01/16 | Electric Revenue Refunding Bonds             | 3.000 - 5.000         | Serial 2017 to 2034 | 2027          | " 99,575               |
|                                  |         |          | Total Electric Bonds                         |                       |                     |               | \$ 561,070             |
|                                  |         |          | TOTAL REVENUE BONDS                          |                       |                     |               | \$ 677,650             |

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

| Fiscal<br>Year Ended<br>August 31 | Governmental Activities  |          |                |          |
|-----------------------------------|--------------------------|----------|----------------|----------|
|                                   | General Obligation Bonds |          | Capital Leases |          |
|                                   | Principal                | Interest | Principal      | Interest |
| 2019                              | \$ 10,832                | 19,529   | 5,497          | 1,023    |
| 2020                              | 10,852                   | 19,190   | 5,259          | 898      |
| 2021                              | 14,548                   | 18,758   | 4,524          | 772      |
| 2022                              | 18,005                   | 18,152   | 4,562          | 639      |
| 2023                              | 18,673                   | 17,408   | 3,943          | 508      |
| 2024 - 2028                       | 75,587                   | 76,497   | 12,507         | 920      |
| 2029 - 2033                       | 71,391                   | 60,824   | 1,198          | 53       |
| 2034 - 2038                       | 78,380                   | 43,392   | -              | -        |
| 2039 - 2043                       | 86,260                   | 22,351   | -              | -        |
| 2044 - 2048                       | 35,425                   | 3,068    | -              | -        |
| Total                             | \$ 419,953               | 299,169  | 37,490         | 4,813    |

| Fiscal<br>Year Ended<br>August 31 | Business-Type Activities |          |                    |          |                |          |
|-----------------------------------|--------------------------|----------|--------------------|----------|----------------|----------|
|                                   | Revenue Bonds            |          | Loans/Note Payable |          | Capital Leases |          |
|                                   | Principal                | Interest | Principal          | Interest | Principal      | Interest |
| 2019                              | \$ 29,360                | 28,690   | 2,005              | 680      | 330            | 23       |
| 2020                              | 32,930                   | 27,404   | 2,043              | 642      | 337            | 18       |
| 2021                              | 38,910                   | 25,928   | 2,083              | 602      | 340            | 11       |
| 2022                              | 40,345                   | 24,144   | 2,123              | 561      | 234            | 5        |
| 2023                              | 41,135                   | 22,355   | 2,164              | 519      | 24             | 2        |
| 2024 - 2028                       | 184,190                  | 86,079   | 10,471             | 1,947    | 25             | 1        |
| 2029 - 2033                       | 157,195                  | 52,130   | 10,668             | 786      | -              | -        |
| 2034 - 2038                       | 112,875                  | 20,671   | 1,415              | 21       | -              | -        |
| 2039 - 2043                       | 40,710                   | 3,299    | -                  | -        | -              | -        |
| Total                             | \$ 677,650               | 290,700  | 32,972             | 5,758    | 1,290          | 60       |

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

| Fiscal<br>Year Ended<br>August 31 | Major Enterprise Funds |          |              |          |                 |          |
|-----------------------------------|------------------------|----------|--------------|----------|-----------------|----------|
|                                   | Wastewater System      |          | Water System |          | Electric System |          |
|                                   | Principal              | Interest | Principal    | Interest | Principal       | Interest |
| 2019                              | \$ 4,879               | 2,145    | 4,637        | 1,607    | 19,480          | 24,247   |
| 2020                              | 4,989                  | 2,032    | 4,792        | 1,438    | 22,750          | 23,273   |
| 2021                              | 5,123                  | 1,887    | 4,981        | 1,240    | 28,615          | 22,166   |
| 2022                              | 5,275                  | 1,728    | 4,817        | 1,076    | 30,045          | 20,735   |
| 2023                              | 5,446                  | 1,550    | 3,972        | 921      | 31,455          | 19,328   |
| 2024 - 2028                       | 29,532                 | 4,705    | 12,469       | 2,847    | 139,975         | 76,632   |
| 2029 - 2033                       | 12,486                 | 800      | 8,902        | 1,259    | 137,025         | 49,837   |
| 2034 - 2038                       | 510                    | 6        | 1,984        | 64       | 111,015         | 20,583   |
| 2039 - 2043                       | -                      | -        | -            | -        | 40,710          | 3,299    |
| Total                             | \$ 68,240              | 14,853   | 46,554       | 10,452   | 561,070         | 260,100  |

Long-term liability activity for the year ended August 31, 2018, was as follows (in thousands of dollars):

|   | Beginning * | Additions | Reductions | Ending  | Due Within |
|---|-------------|-----------|------------|---------|------------|
|   | Balance     |           |            | Balance | One Year   |
| <b>Governmental Activities:</b>                       |             |           |            |         |            |
| Bonds and Leases Payable:                             |             |           |            |         |            |
| General Bonds   | \$ 40,780   | 4,345     | (9,850)    | 35,275  | 4,490      |
| Tax Allocation Bonds                                  | 4,911       | -         | (1,173)    | 3,738   | 857        |
| Tax Supported Bonds                                   | 56,565      | -         | (4,560)    | 52,005  | 4,715      |
| Special Assessment Debt with<br>Government Commitment | 3,135       | -         | (180)      | 2,955   | 190        |
| West Haymarket Joint Public Agency Bonds              | 326,545     | -         | (565)      | 325,980 | 580        |
| Capital Leases  | 39,370      | 4,440     | (6,320)    | 37,490  | 5,497      |
| Gross Bonds and Leases Payable                        | 471,306     | 8,785     | (22,648)   | 457,443 | 16,329     |
| Deferred Amounts:                                     |             |           |            |         |            |
| For Issuance Premiums                                 | 13,318      | 893       | (1,005)    | 13,206  | -          |
| For Issuance Discounts                                | (990)       | -         | 1          | (989)   | -          |
| Net Bonds and Leases Payable                          | 483,634     | 9,678     | (23,652)   | 469,660 | 16,329     |
| Other Liabilities:                                    |             |           |            |         |            |
| Compensated Absences                                  | 22,949      | 9,725     | (9,380)    | 23,294  | 9,746      |
| Construction Contracts                                | 3,404       | -         | (3,404)    | -       | -          |
| Claims and Judgements                                 | 10,597      | 35,210    | (34,474)   | 11,333  | 5,004      |
| Net Pension Liability                                 | 48,987      | -         | (1,136)    | 47,851  | -          |
| Total OPEB Liability                                  | 17,192      | -         | (611)      | 16,581  | -          |
| Governmental Activities Long-Term Liabilities         | \$ 586,763  | 54,613    | (72,657)   | 568,719 | 31,079     |
| <b>Business-Type Activities:</b>                      |             |           |            |         |            |
| Bonds, Loans, Note, and Leases Payable:               |             |           |            |         |            |
| Wastewater Revenue Bonds                              | \$ 53,395   | 13,235    | (18,195)   | 48,435  | 3,700      |
| Wastewater Loan Payable                               | 20,803      | -         | (1,135)    | 19,668  | 1,158      |
| Water Revenue Bonds                                   | 38,135      | -         | (3,885)    | 34,250  | 3,990      |
| Water Loan Payable                                    | 12,936      | -         | (632)      | 12,304  | 647        |
| Electric System Revenue Bonds                         | 578,140     | -         | (17,070)   | 561,070 | 19,480     |
| Parking Revenue Bonds                                 | 25,335      | -         | (1,345)    | 23,990  | 1,380      |
| Solid Waste Management Revenue Bonds                  | 10,715      | -         | (810)      | 9,905   | 810        |
| Pinnacle Bank Arena Note                              | 1,200       | -         | (200)      | 1,000   | 200        |
| Capital Leases  | 1,241       | 385       | (336)      | 1,290   | 330        |
| Gross Bonds, Loans, Note, and Leases Payable          | 741,900     | 13,620    | (43,608)   | 711,912 | 31,695     |
| Deferred Amounts:                                     |             |           |            |         |            |
| For Issuance Premiums                                 | 65,876      | 1,385     | (6,478)    | 60,783  | -          |
| For Issuance Discounts                                | (53)        | -         | 9          | (44)    | -          |
| Net Bonds, Loans, Note, and Leases Payable            | 807,723     | 15,005    | (50,077)   | 772,651 | 31,695     |
| Other Liabilities:                                    |             |           |            |         |            |
| Compensated Absences                                  | 2,950       | 1,582     | (1,527)    | 3,005   | 1,535      |
| Construction Contracts                                | 2,138       | 4,973     | (2,138)    | 4,973   | 4,973      |
| Revolving Credit Agreement                            | -           | 30,000    | -          | 30,000  | -          |
| Developer Performance Deposits                        | 896         | -         | (250)      | 646     | -          |
| Claims and Judgements                                 | 541         | -         | (9)        | 532     | -          |
| Net Pension Liability                                 | 2,911       | -         | (202)      | 2,709   | -          |
| Total OPEB Liability                                  | 2,258       | -         | (85)       | 2,173   | -          |
| Accrued Landfill Closure/Postclosure Care Costs       | 21,895      | 1,505     | -          | 23,400  | -          |
| Business-Type Activities Long-Term Liabilities        | \$ 841,312  | 53,065    | (54,288)   | 840,089 | 38,203     |

\* The beginning balance shown for the Total OPEB Liability represents the restated beginning balance as a result of the City's implementation of GASB Statement No. 75.

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Internal Service funds predominantly serve the governmental funds, therefore, their long-term liabilities are included with the governmental activities. 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 total OPEB liability for an implicit rate subsidy will be liquidated with those governmental funds where personnel health insurance costs are incurred.

Long-term liability activity for the major enterprise funds for the year ended August 31, 2018, was as follows (in thousands of dollars):

|                                   | Beginning *       | Additions     | Reductions      | Ending Balance | Due Within One Year |
|-----------------------------------|-------------------|---------------|-----------------|----------------|---------------------|
|                                   | Balance           |               |                 |                |                     |
| <b>Lincoln Wastewater System:</b> |                   |               |                 |                |                     |
| Bonds and Loans Payable:          |                   |               |                 |                |                     |
| Wastewater Revenue Bonds          | \$ 53,395         | 13,235        | (18,195)        | 48,435         | 3,700               |
| Wastewater Loans Payable          | 20,803            | -             | (1,135)         | 19,668         | 1,158               |
| Capital Leases                    | -                 | 162           | (25)            | 137            | 21                  |
| Deferred for Issuance Premiums    | 3,082             | 1,386         | (363)           | 4,105          | -                   |
| Deferred for Issuance Discounts   | (7)               | -             | 7               | -              | -                   |
| Net Bonds and Loans Payable       | <u>77,273</u>     | <u>14,783</u> | <u>(19,711)</u> | <u>72,345</u>  | <u>4,879</u>        |
| Other Liabilities:                |                   |               |                 |                |                     |
| Compensated Absences              | 856               | 470           | (404)           | 922            | 403                 |
| Construction Contracts            | 663               | 2,405         | (663)           | 2,405          | 2,405               |
| Total OPEB Liability              | <u>550</u>        | <u>-</u>      | <u>(22)</u>     | <u>528</u>     | <u>-</u>            |
| Total Long-Term Liabilities       | <u>\$ 79,342</u>  | <u>17,658</u> | <u>(20,800)</u> | <u>76,200</u>  | <u>7,687</u>        |
| <b>Lincoln Water System:</b>      |                   |               |                 |                |                     |
| Bonds and Loan Payable:           |                   |               |                 |                |                     |
| Water Revenue Bonds               | \$ 38,135         | -             | (3,885)         | 34,250         | 3,990               |
| Water Loan Payable                | 12,936            | -             | (632)           | 12,304         | 647                 |
| Deferred for Issuance Premiums    | 2,304             | -             | (330)           | 1,974          | -                   |
| Deferred for Issuance Discounts   | (25)              | -             | 2               | (23)           | -                   |
| Net Bonds and Loan Payable        | <u>53,350</u>     | <u>-</u>      | <u>(4,845)</u>  | <u>48,505</u>  | <u>4,637</u>        |
| Other Liabilities:                |                   |               |                 |                |                     |
| Compensated Absences              | 1,280             | 492           | (505)           | 1,267          | 488                 |
| Construction Contracts            | 1,475             | 2,568         | (1,475)         | 2,568          | 2,568               |
| Total OPEB Liability              | <u>792</u>        | <u>-</u>      | <u>(31)</u>     | <u>761</u>     | <u>-</u>            |
| Total Long-Term Liabilities       | <u>\$ 56,897</u>  | <u>3,060</u>  | <u>(6,856)</u>  | <u>53,101</u>  | <u>7,693</u>        |
| <b>Lincoln Electric System:</b>   |                   |               |                 |                |                     |
| Bonds Payable:                    |                   |               |                 |                |                     |
| Electric System Revenue Bonds     | \$ 578,140        | -             | (17,070)        | 561,070        | 19,480              |
| Deferred for Issuance Premiums    | 59,609            | -             | (5,714)         | 53,895         | -                   |
| Net Bonds Payable                 | <u>637,749</u>    | <u>-</u>      | <u>(22,784)</u> | <u>614,965</u> | <u>19,480</u>       |
| Other Liabilities:                |                   |               |                 |                |                     |
| Revolving Credit Agreement        | -                 | 30,000        | -               | 30,000         | -                   |
| Developer Performance Deposits    | 896               | -             | (250)           | 646            | -                   |
| Claims and Judgements             | <u>541</u>        | <u>-</u>      | <u>(9)</u>      | <u>532</u>     | <u>-</u>            |
| Total Long-Term Liabilities       | <u>\$ 639,186</u> | <u>30,000</u> | <u>(23,043)</u> | <u>646,143</u> | <u>19,480</u>       |

\* The beginning balance shown for the Total OPEB Liability represents the restated beginning balance as a result of the City's implementation of GASB Statement No. 75.

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

At August 31, 2018, \$74,287,179 of developer purchased tax increment financing notes and bonds were outstanding. Developer purchased tax increment financing allows the City to create special districts to enable public/private improvements within those districts that will generate public/private-sector development. For a period of 15 years, the tax base is frozen at the predevelopment level, and taxes generated from the incremental increases in assessed value are remitted to the developer. The agreements between the City and developer expressly limit the City's commitment for debt repayment to the incremental tax collected during the 15-year period. At the end of the 15-year period, the tax jurisdiction collects on the increased property values. The related tax increment districts are not component units of the City; therefore, the City is not liable for the outstanding debt. The City's responsibility for this liability is limited only to remittance of paid taxes, thus these notes and bonds are not reflected in the City's financial statements.

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**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, 2018, \$15,050,000 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, 2018, 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<br/>Fund</u> | <u>Street<br/>Construction<br/>Fund</u> |
|---|-------------------------|---|
| Net Change in Fund Balances:  |                         |   |
| Balance on a GAAP basis   | \$ 2,185,413            | (2,985,197)                             |
| 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. | (744,943)               | (5,378,377)                             |
| Perspective differences occur when the structure used for budgeting differs from the fund structure used for financial reporting.   | 1,352,422               | -                                       |
| Amount budgeted on a project basis.   | <u>-</u>                | <u>33,779,046</u>                       |
| Balance on a budget basis   | <u>\$ 2,792,892</u>     | <u>25,415,472</u>                       |

**(11) DEFICIT NET POSITION**

The following funds had a net position or fund balance deficit as of August 31, 2018:

|   |             |
|---|-------------|
| Special Revenue - Impact Fees Fund            | \$ (69,180) |
| Special Revenue – Lincoln Bike Share Fund     | (8,169)     |
| Enterprise - Pinnacle Bank Arena Fund         | (441,598)   |
| Internal Service - Engineering Revolving Fund | (2,038,608) |

- The Impact Fees Fund deficit is expected to be reduced through future fee collections.
- The Lincoln Bike Share Fund shows a fund balance deficit due to large start up costs of the Lincoln Bike Share Program.

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- The Pinnacle Bank Arena Fund was created to manage the operation of a new Arena, which opened in August, 2013. The Fund deficit is expected to be reduced through future revenue collections.
- The Engineering Revolving Fund is evaluating various means to reduce expenses and improve revenue collections affected by staffing levels, overhead costs, billing practices, and intra-City services reimbursements.

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

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

|                     |           |
|---------------------|-----------|
| General Fund        |           |
| Traffic Engineering | \$ 11,617 |
| Street Lighting     | 1,007,195 |
| Debt Service        | 68,720    |

**(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% of regular pay.

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

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

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*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%.

*Partial Annuity* - Eligibility for all plans is early retirement age and 10, or more, years of service.

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.

*Deferred Annuity (Vested Termination)* - Eligibility for all plans is age less than early retirement age and 10, or more, years of service. Payments begin at age 50.

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).

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*Death After Retirement – Remainder Refund* - Eligibility for members employed on January 1, 1992, or hired between January 1, 1992, and March 31, 2010.

Upon retirement, the member's balance of contributions plus accrued interest is reduced each month by a level amount equal to the member's balance divided by the expected number of payments. Once both the member and, if applicable, their joint annuitant have died, the remaining balance is paid as a lump sum to a designated beneficiary. The expected number of monthly payments is established in the Internal Revenue Code in effect April 1, 2010, and depends on the age of the retiree at retirement, or the combined ages of the retiree and joint annuitant.

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

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

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

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

Cost of Living Adjustments (COLA) – Eligibility requirements include receiving benefits for at least twelve months preceding September 1. The base amount of the lump sum payment is \$750 effective 9/1/1994. The base amount is increased each year by the lesser of three percent or the annual percentage increase in the Consumer Price Index. Members who retired with at least 21 years of service and members who were granted a duty disability pension will receive the full payments amount. All other members who have been receiving a pension for at least 12 months (and their beneficiaries) will receive a partial payment, determined on a pro-rata basis according to their service.

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, 2018, is \$6,628,845.

Membership of the pension plan consisted of the following at August 31, 2018, the date of the latest actuarial valuation:

|   |              |
|---|--------------|
| Retirees and beneficiaries receiving benefits                         | 519          |
| Terminated plan members entitled to<br>but not yet receiving benefits | 25           |
| Active plan members (non-DROP)  | 587          |
| Death benefit refund due  | 2            |
| DROP members  | 39           |
| Total   | <u>1,172</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 2018 was \$8,164,782. For the fiscal year ended August 31, 2018, the Plan received \$8,239,839 in employer contributions.



CITY OF LINCOLN, NEBRASKA  
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August 31, 2018

Actuarial Methods and Assumptions – The annual required contribution for the current year was determined as part of the August 31, 2016, 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 7.50% per year compounded annually, (b) projected salary increases of 7.3% grading down to 3.5% per year, including wage inflation at 2.5%, and (c) the assumption that benefits will increase 2.50% 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 a closed basis over a remaining period of twenty-eight years.

Net Pension Liability

The components of the net pension liability of the PFP at August 31, 2018, were as follows:

|                             |                      |
|-----------------------------|----------------------|
| Total pension liability     | \$ 296,440,660       |
| Plan fiduciary net position | (245,880,530)        |
| Net pension liability       | <u>\$ 50,560,130</u> |

|  |        |
|--|--------|
| Plan fiduciary net position as a percentage of the total pension liability | 82.94% |
|--|--------|

The total pension liability was determined by an actuarial valuation using the entry age normal cost method and calculated based on the discount rate and actuarial assumptions below.

|                  |                 |
|------------------|-----------------|
| Valuation date   | August 31, 2018 |
| Measurement date | August 31, 2018 |

Assumptions

The total pension liability as of August 31, 2018, was determined by an actuarial valuation performed as of August 31, 2018, 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%   |
| Municipal Bond Index Rate   | 3.96%   |
| 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, 2018, (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, 2018, was 7.50%.

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 equal to the actuarially determined contribution rates determined in the actuarial valuation prepared two years prior to the current fiscal year end.

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Based on these assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50% was applied to all periods of projected benefit payments to determine the total pension liability. Future benefit payments for all current pension members were projected through 2117.

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 both the current and prior 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 estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of August 31, 2018, are summarized in the following table:

| <u>Asset Class</u>                 | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return*</u> |
|------------------------------------|--------------------------|--|
| Developed Markets Equity           | 35.0 %                   | 4.9 %  |
| Emerging Markets Equity            | 5.0                      | 5.8  |
| Private Equity                     | 10.0                     | 7.8  |
| Fixed Rate Debt (Intermediate)     | 5.0                      | 1.5  |
| Fixed Rate High Yield Bonds        | 5.0                      | 3.3  |
| Private Credit                     | 10.0                     | 4.1  |
| Low Volatility Hedge Funds         | 10.0                     | 2.8  |
| Master Limited Partnerships (MLPs) | 5.0                      | 4.2  |
| Private Real Estate                | 15.0                     | 4.8  |
| Total                              | <u>100.0 %</u>           |  |

\* Geometric mean, net of investment expenses

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.50%, as well as what the City'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<br/>6.50%</u> | <u>Current Discount Rate<br/>7.50%</u> | <u>1% Increase<br/>8.50%</u> |
|-------------------------|------------------------------|--|------------------------------|
| Total Pension Liability | \$ 332,170,648               | 296,440,660                            | 266,376,457                  |
| Fiduciary Net Position  | 245,880,530                  | 245,880,530                            | 245,880,530                  |
| Net Pension Liability   | \$ 86,290,118                | 50,560,130                             | 20,495,927                   |

Rate of Return - For the year ended August 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.59 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.

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

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

Changes in the Net Pension Liability

|   | Total Pension<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net Pension<br>Liability<br>(a) - (b) |
|---|-----------------------------------|---------------------------------------|---------------------------------------|
| Balances at August 31, 2017                       | \$ 285,038,672                    | 233,140,335                           | 51,898,337                            |
| Changes for the year:                             |                                   |                                       |                                       |
| Service cost at end of year                       | 7,416,228                         | -                                     | 7,416,228                             |
| Interest on TPL                                   | 20,800,989                        | -                                     | 20,800,989                            |
| Difference between expected and actual experience | (1,147,672)                       | -                                     | (1,147,672)                           |
| Employer contributions                            | -                                 | 8,239,839                             | (8,239,839)                           |
| Employee contributions                            | -                                 | 3,195,658                             | (3,195,658)                           |
| Net investment income                             | -                                 | 17,407,833                            | (17,407,833)                          |
| Benefit payments, including member refunds        | (15,667,557)                      | (15,667,557)                          | -                                     |
| Administrative expenses                           | -                                 | (435,578)                             | 435,578                               |
| Net changes                                       | 11,401,988                        | 12,740,195                            | (1,338,207)                           |
| Balances at August 31, 2018                       | \$ 296,440,660                    | 245,880,530                           | 50,560,130                            |

Deferred Outflows and Inflows of Resources

Deferred Outflows of Resources  
As of August 31, 2018

|   |              |
|---|--------------|
| Differences between expected and actual experience  | \$ 3,916,583 |
| Change in the City's proportion of the collective net pension liability since the prior measurement date                            | 255,502      |
| Change in the Emergency Medical Services Fund's proportion of the collective net pension liability since the prior measurement date | 103,278      |
| Total   | \$ 4,275,363 |

Deferred Inflows of Resources  
As of August 31, 2018

|   |               |
|---|---------------|
| Differences between expected and actual experience  | \$ 2,800,374  |
| Changes of assumptions  | 9,126,715     |
| Differences between projected and actual earnings   | 580,519       |
| Change in the City's proportion of the collective net pension liability since the prior measurement date                            | 103,278       |
| Change in the Emergency Medical Services Fund's proportion of the collective net pension liability since the prior measurement date | 255,502       |
| Total   | \$ 12,866,388 |

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

| <u>Fiscal Year</u><br><u>Ending August 31</u> | <u>Deferred</u><br><u>Outflows</u><br><u>of Resources</u> | <u>Deferred</u><br><u>Inflows</u><br><u>of Resources</u> | <u>Net Deferred</u><br><u>Outflows/Inflows</u><br><u>of Resources</u> |
|---|---|--|---|
| 2019  | \$ 1,453,410  | (1,851,560)  | (398,150)   |
| 2020  | 1,453,410   | (5,877,135)  | (4,423,725)   |
| 2021  | 919,812   | (4,274,910)  | (3,355,098)   |
| 2022  | 290,577   | (569,917)  | (279,340)   |
| 2023  | 149,465   | (217,513)  | (68,048)  |
| Thereafter                                    | 8,689   | (75,353)   | (66,664)  |
|   | <u>\$ 4,275,363</u>                                       | <u>(12,866,388)</u>                                      | <u>(8,591,025)</u>  |

Pension Expense

The calculation of the pension expense for the year ended August 31, 2018, is shown below:

| Pension Expense   |                     |
|---|---------------------|
| For the Fiscal Year Ended August 31, 2018   |                     |
| Service cost at end of year   | \$ 7,416,228        |
| Interest on the total pension liability   | 20,800,989          |
| Expensed portion of current-period differences between<br>expected and actual experience in the total pension liability | (180,168)           |
| Employee contributions  | (3,195,658)         |
| Projected earnings on plan investments  | (17,313,653)        |
| Expensed portion of current-period differences between<br>projected and actual earnings on plan investments             | (18,836)            |
| Administrative expenses   | 435,578             |
| Recognition of beginning deferred outflows of resources   | 3,966,734           |
| Recognition of beginning deferred inflows of resources  | <u>(4,165,881)</u>  |
| Total Pension Expense   | <u>\$ 7,745,333</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). The plan assets are held, managed and administered by a custodian. The plan was established under the authority of the LES 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 applicable compensation 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 applicable compensation. Vesting of LES contributions occurs over a three-year period. Employee forfeitures are used to reduce future employer contributions. For the year ended December 31, 2017, LES incurred contribution expense of approximately \$4,144,000 or 9.49% of covered payroll and its employees contributed approximately \$3,483,000 or 7.97% of covered payroll.

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**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, 2017, was \$2,098,129. City contributions totaled \$190,231 or 9.07% of covered payroll and employee contributions totaled \$57,693 or 2.75% of covered payroll. There were no voluntary employee contributions made for the year ended December 31, 2017.

**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, 2017, total payroll was approximately \$89,085,000 and covered payroll was approximately \$75,365,000. The City incurred contribution expense totaling \$8,234,473, which included a reduction in expense of \$99,139 for employee forfeitures. Employer contributions were 10.93% of covered payroll and employee contributions totaled \$4,550,336 or 6.04% of covered payroll. Employees made \$321,998 in voluntary contributions for the year ended December 31, 2017.

**(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.

Membership of the OPEB plan consisted of the following at June 30, 2016, the date of the valuation data used to develop the August 31, 2018 total OPEB liability:

|                                   |              |
|-----------------------------------|--------------|
| Retired members                   | 68           |
| Spouses of retired members        | 21           |
| Surviving spouses                 | 3            |
| Active employees                  | 1,768        |
| Total                             | <u>1,860</u> |
| Number of participating employers | <u>1</u>     |

**Actuarial Methods and Assumptions**

The total OPEB liability of \$18,762,241 at August 31, 2018, was measured at August 31, 2017 and was determined by an actuarial valuation prepared as of June 30, 2016 rolled forward 14 months, using standard actuarial formulae and the following actuarial assumptions and other inputs:

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2018

|                            |  |
|----------------------------|--|
| Price Inflation            | 2.50%  |
| Municipal Bond Index Rate  | 3.53%  |
| Healthcare Cost Trend Rate | 7.5% for 2 years, decreasing by 0.50% per year for 4 years, then decreasing by 0.25% per year until an ultimate rate of 5.00% is reached in 2023.  |
| Cost-Sharing Premiums      | Premiums, effective as of November 1, 2017, were trended back to the Valuation Date. Civilian rates were based on the base plan and the Police and Fire rates were based on an average of the Police group and the Fire group. |
|                            | Civilians: Retiree - \$7,810<br>Spouse - \$9,529   |
|                            | Police and Fire: Retiree - \$8,784<br>Spouse - \$10,674  |
| Mortality                  |  |
|                            | Civilians: RP-2014 Total Dataset Mortality Table, adjusted for mortality improvement using Projection Scale MP 2015.   |
|                            | Police and Fire: Mortality rates are based on the RP-2000 Mortality Tables for Employees, Healthy Annuitants, and Disabled Retirees with Generational Projection using Scale AA.   |

The civilian demographic actuarial assumptions for retirement and withdrawal used at the June 30, 2016 valuation date were consistent with the assumptions used in the September 1, 2015 GASB 45 valuation as they are considered reasonable estimates of future experience.

The Police and Fire demographic actuarial assumptions are consistent with those used in the valuation of the Lincoln Police and Fire Pension Plan, which are based on the most recent actuarial experience study covering the five-year period ending August 31, 2014. The experience study report was prepared by a prior actuary and is dated October 14, 2015.

The remaining actuarial assumptions (initial per capita costs, health care cost trends, rate of plan participation, rates of DROP participation, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience.

Sensitivity of the total OPEB liability to changes in the rates

The following presents the total OPEB liability of the plan, calculated using health care cost trend rates ranging from 7.50% in 2016 and trending downward to 5.0% in 2023, as well as the total OPEB liability calculated using trend rates that are 1% lower or 1% higher than the current rate:

|                      | 1%<br><u>Decrease</u> | Current<br><u>Trend Rate</u> | 1%<br><u>Increase</u> |
|----------------------|-----------------------|------------------------------|-----------------------|
| Total OPEB Liability | \$ 16,648,291         | 18,762,241                   | 21,264,356            |

The following presents the total OPEB liability of the plan, calculated using the discount rate of 3.53% (2.85% at prior measurement date), as well as the Plan's total OPEB liability calculated using a discount rate that is 1% lower or 1 % higher than the current rate:

|                      | 1%<br><u>Decrease</u> | Current<br><u>Discount Rate</u> | 1%<br><u>Increase</u> |
|----------------------|-----------------------|---------------------------------|-----------------------|
|                      | 2.53%                 | 3.53%                           | 4.53%                 |
| Total OPEB Liability | \$ 20,458,804         | 18,762,241                      | 17,221,071            |

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2018

Changes in the Total OPEB Liability

|                                  | Total OPEB<br>Liability |
|----------------------------------|-------------------------|
| Balance at Beginning of Year     | \$ 19,458,198           |
| Changes for the year:            |                         |
| Service cost at end of year      | 969,040                 |
| Interest on Total OPEB Liability | 539,411                 |
| Assumption changes               | (1,133,914)             |
| Benefit payments                 | (1,070,494)             |
| Net changes                      | (695,957)               |
| Balance at End of Year           | \$ 18,762,241           |

The assumption changes, shown above, are due to the change in the discount rate from 2.85% to 3.53% related to a change in the municipal bond rate since the prior measurement date.

OPEB Expense

The calculation of the OPEB expense for the fiscal year ended August 31, 2018, is show below:

OPEB Expense  
Year Ending August 31, 2018

|   |              |
|---|--------------|
| Service cost at end of year                           | \$ 969,040   |
| Interest on the total OPEB liability                  | 539,411      |
| Expensed portion of current-period assumption changes | (153,232)    |
| Total OPEB Expense                                    | \$ 1,355,219 |

Deferred Outflows and Inflows of Resources

Deferred Outflows of Resources  
As of August 31, 2018

|   |              |
|---|--------------|
| Benefit payments subsequent to the measurement date | \$ 1,120,684 |
| Total   | \$ 1,120,684 |

Deferred Inflows of Resources  
As of August 31, 2018

|                        |            |
|------------------------|------------|
| Changes of assumptions | \$ 980,682 |
| Total                  | \$ 980,682 |

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The Deferred Outflows of Resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of OPEB expense in the fiscal year ending August 31, 2019. Amounts reported as Deferred Inflows of Resources related to OPEB will be recognized in OPEB expense in future years as follows:

| <u>Fiscal Year</u><br><u>Ending August 31</u> | <u>Deferred</u><br><u>Inflows</u><br><u>of Resources</u> |
|---|--|
| 2019  | \$ 153,232   |
| 2020  | 153,232  |
| 2021  | 153,232  |
| 2022  | 153,232  |
| 2023  | 153,232  |
| Thereafter                                    | 214,522  |
|   | <u>\$ 980,682</u>  |

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 \$1,281,000.

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 actuarial valuation have not been included here as it did not have a significant impact on the City's financial statements. Long-term disability claims liability of \$718,344 has been included in the Insurance Revolving Internal Service Fund, as it relates to these benefits.

**(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 2017 tax levy, for the 2017-2018 fiscal year, was \$156,576,725 below the legal limit, with a tax rate per \$100 valuation of \$0.3165. The assessed value upon which the 2017 levy was based was \$20,516,934,853.

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 2017-2018 are recorded as revenue in the fund financial statements when expected to be collected within 60 days after August 31, 2018. 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.



CITY OF LINCOLN, NEBRASKA  
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August 31, 2018

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. Payments in lieu of taxes are transferred to the City of Lincoln, Lancaster County, Lincoln Public Schools, and the City of Waverly.

**(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, 2018, the City had a self-insured retention for workers' compensation exposures up to \$800,000 per claim; law enforcement liability, commercial general liability, public officials liability, public transportation liability, EMT and medical professional liability, and auto liability exposures up to \$250,000 per occurrence; all-risk property exposures up to \$75,000 per occurrence; health care claims of \$150,000 per person; 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, commercial general, public officials, public transportation, EMT and medical professional, and auto liabilities were covered by an aggregate policy that provided limits of \$6 million per occurrence with a \$12 million annual aggregate above the City's \$250,000 retention.

All-risk property exposures were covered by an insurance policy with a total property limit of \$500,000,000 over the City's retention of \$75,000. Healthcare was covered by an unlimited stop loss insurance policy above the \$150,000 retention per claim. 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, and auto liability 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 \$11,332,373 were recorded at August 31, 2018, which do not include claims relating to Lincoln Electric System's self-funded health and dental insurance programs. Excluding medical care claims approximating \$2,539,000, 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 2.09% discount rate. The City has purchased no annuity contracts in the current fiscal year to resolve City of Lincoln claims.

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The following is a summary of the changes in the estimated claims liability for the years ended August 31, 2018 and 2017:

|  | Worker's<br>Compensation<br>and Others | Long-Term<br>Disability | Health<br>and Dental | Total             |
|--|--|-------------------------|----------------------|-------------------|
| Balance at August 31, 2017                   | \$ 7,755,000                           | 1,044,639               | 1,797,538            | 10,597,177        |
| Current year claims and changes in estimates | 3,012,292                              | (161,355)               | 32,359,048           | 35,209,985        |
| Claims payments                              | (2,692,292)                            | (164,940)               | (31,617,557)         | (34,474,789)      |
| Balance at August 31, 2018                   | <u>\$ 8,075,000</u>                    | <u>718,344</u>          | <u>2,539,029</u>     | <u>11,332,373</u> |

|  | Worker's<br>Compensation<br>and Others | Long-Term<br>Disability | Health<br>and Dental | Total             |
|--|--|-------------------------|----------------------|-------------------|
| Balance at August 31, 2016                   | \$ 6,972,000                           | 1,005,951               | 1,981,261            | 9,959,212         |
| Current year claims and changes in estimates | 3,351,344                              | 143,409                 | 27,723,659           | 31,218,412        |
| Claims payments                              | (2,568,344)                            | (104,721)               | (27,907,382)         | (30,580,447)      |
| Balance at August 31, 2017                   | <u>\$ 7,755,000</u>                    | <u>1,044,639</u>        | <u>1,797,538</u>     | <u>10,597,177</u> |

#### 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:

|                           | 2017              | 2016           |
|---------------------------|-------------------|----------------|
| Balance beginning of year | \$ 541,000        | 508,000        |
| Claims and fees incurred  | 5,597,000         | 6,430,000      |
| Claims paid/other         | (5,606,000)       | (6,397,000)    |
| Balance end of year       | <u>\$ 532,000</u> | <u>541,000</u> |

As required by state statute, LES maintains an incurred but not reported claims reserve which is actuarially determined, the balance of which was \$532,000 and \$541,000 at December 31, 2017 and 2016, 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, 2018, approximately 96% of the full-time, regular City's employees are represented by a Union. Labor contracts involving civilian City employees are negotiated to cover, at a minimum, a two-year period coinciding with the 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 \$14,195,000 as of August 31, 2018, which will be financed primarily through highway user fees, bond proceeds, federal and state grants, and developer contributions. The City also has a funding obligation of approximately \$15,000,000 to the State of Nebraska for the South Beltway Project.

**WEST HAYMARKET JOINT PUBLIC AGENCY**

In connection with the West Haymarket Development Project, the WHJPA 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 WHJPA has not been designated as a potentially responsible party (PRP or equivalent status) by any regulatory agency requiring the immediate clean-up of impacted areas. Although future costs may be incurred, it is not possible at this time to reasonably estimate the amount of any obligation for remediation activities because of uncertainties with respect to assessing the extent if the contamination or the applicable regulatory requirements. No liability has been recorded for potential future remediation activities as of August 31, 2018.

**LINCOLN WASTEWATER SYSTEM**

The Lincoln Wastewater System has commitments under major construction contracts in progress of approximately \$20,285,000 as of August 31, 2018.

**LINCOLN WATER SYSTEM**

The Lincoln Water System has commitments under major construction contracts in progress of approximately \$7,200,000 as of August 31, 2018.

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**LINCOLN ELECTRIC SYSTEM**

LES has an allocation from the U.S. Department of Energy, through Western Area Power Administration (WAPA), of firm power under contract from Upper Missouri Basin hydroelectric plants of approximately 56 MW. LES has also received an allocation of 72 MW of firm peaking power from WAPA for the six month summer season and 22 MW for the remaining months. LES has signed an amendment which extends the contract to 2051.

LES has had participation contracts in two existing Nebraska Public Power District (NPPD) power plants that provide for an entitlement to a thirty percent (65 MW) and eight percent (109 MW) of 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 and NPPD terminated the Sheldon Station participation contract effective December 31, 2017. A termination payment of \$10.5 million was made to NPPD and there is no further obligation for Sheldon Station.

LES is responsible for its respective participating interests in the two facilities' capital additions and improvements. LES recognizes its share of capital acquisition costs and debt service payments as power costs in the period the costs are billed with the exception of costs approved for deferral under GASB Codification Section RE10, *Regulated Operations*. Fixed cost payments under the agreement are on a participation basis whether or not such plants are operating or operable.

The participation contract for Gerald Gentleman continues 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 fixed cost payments to NPPD under this contract, including capital additions and improvements, debt service payments, fixed costs and credits were \$7,213,000 in 2017.

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

LES also participates in three wind plants through direct Power Purchase Agreements with the plant's developer/owner: 100 MW Arbuckle Mountain Wind farm in Oklahoma, 100 MW Buckeye Wind Energy Center in Kansas and 73 MW Prairie Breeze II Wind Energy Center in Nebraska. These wind energy facilities were placed in commercial operation in 2015. LES also participates in four Nebraska-based wind plants through Power Sales Agreements with NPPD: Laredo Ridge (10 MW), Broken Bow (10 MW), Elkhorn Ridge (6 MW), and Crofton Bluffs (3 MW). For each of these plants, NPPD has the actual Power Purchase Agreement with the wind plant developer/owner.

LES has outstanding contract commitments totaling \$34,256,000 as of December 31, 2017. These are primarily related to construction contracts for the LES Operations Center.

**(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. These costs are accounted for in the Solid Waste Management Fund, a nonmajor enterprise fund.

At August 31, 2018, the City had incurred a liability of approximately \$15,263,000 for the municipal solid waste landfill which represents the amount of costs reported to date based on the approximately 59% of landfill capacity used to date. The remaining estimated liability for these costs is approximately \$10.7 million, which will be recognized as the remaining capacity is used (estimated to be approximately 18 years).

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As of August 31, 2018, the City had incurred a liability of approximately \$1,343,000 for the construction and demolition debris landfill which represents the amount of costs reported to date based on the approximately 38% of landfill capacity used to date. The remaining estimated liability for these costs is approximately \$2,235,000, which will be recognized as the remaining capacity is used (estimated to be approximately 30 years). During 2018, the City revised the number of acres used for calculating the landfill capacity from 121 acres to 186 acres.

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, 2018, a liability for closure and postclosure care costs is recorded in the amount of approximately \$6,794,000. 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  
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**(19) SEGMENT INFORMATION**

The City has issued revenue bonds and other debt instruments to finance capital construction and acquisitions for both the Urban Development and Public Works/Utilities Departments. The Parking Facilities Division of the Urban Development Department operates the City's downtown parking garages and is accounted for in the Parking System Fund. The Solid Waste Management Division 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, 2018, is presented as follows:

|  | Parking<br>Facilities | Solid<br>Waste<br>Management |
|--|-----------------------|------------------------------|
| <b>CONDENSED STATEMENT OF NET POSITION</b>   |                       |                              |
| Assets:  |                       |                              |
| Current Assets, excluding Due from Other Funds   | \$ 8,802,137          | 8,460,443                    |
| Due from Other Funds   | 136,687               | 57,322                       |
| Other Assets   | 8,461,426             | 3,408,662                    |
| Capital Assets, Net  | 56,838,015            | 29,510,382                   |
| Total Assets   | <u>74,238,265</u>     | <u>41,436,809</u>            |
| Deferred Outflows of Resources   | <u>928</u>            | <u>28,863</u>                |
| Liabilities:   |                       |                              |
| Current Liabilities, excluding Due to Other Funds                                      | 3,321,676             | 1,792,858                    |
| Due to Other Funds   | 4,595                 | 2,776                        |
| Noncurrent Liabilities   | 22,826,206            | 33,371,779                   |
| Total Liabilities  | <u>26,152,477</u>     | <u>35,167,413</u>            |
| Deferred Inflows of Resources  | <u>812</u>            | <u>11,371</u>                |
| Net Position:  |                       |                              |
| Net Investment in Capital Assets   | 35,114,541            | 19,878,660                   |
| Restricted   | 2,835,789             | 20,300                       |
| Unrestricted   | 10,135,574            | (13,612,072)                 |
| Total Net Position   | <u>\$ 48,085,904</u>  | <u>6,286,888</u>             |
| <b>CONDENSED STATEMENT OF REVENUES,<br/>EXPENSES, AND CHANGES IN FUND NET POSITION</b> |                       |                              |
| Operating Revenues   | \$ 12,511,615         | 9,223,269                    |
| Depreciation Expense   | (2,147,470)           | (2,312,500)                  |
| Other Operating Expenses   | (5,152,321)           | (9,167,883)                  |
| Operating Income (Loss)  | <u>5,211,824</u>      | <u>(2,257,114)</u>           |
| Nonoperating Revenues (Expenses):  |                       |                              |
| Investment Earnings  | 180,310               | 97,651                       |
| Grant Proceeds   | -                     | 111,162                      |
| Gain (Loss) on Disposal of Capital Assets  | (1,181)               | 35,633                       |
| Occupation Tax   | -                     | 3,542,544                    |
| Interest Expense and Fiscal Charges  | (1,047,273)           | (323,158)                    |
| Capital Contributions  | 9,172                 | -                            |
| Transfers  | <u>(2,095,025)</u>    | <u>(1,421,291)</u>           |
| Change in Net Position   | <u>2,257,827</u>      | <u>(214,573)</u>             |
| Beginning Net Position, Before Restatement   | 45,834,033            | 6,584,934                    |
| Adjustment for Implementation of GASB 75   | (5,956)               | (83,473)                     |
| Beginning Net Position, After Restatement  | <u>45,828,077</u>     | <u>6,501,461</u>             |
| Ending Net Position  | <u>\$ 48,085,904</u>  | <u>6,286,888</u>             |
| <b>CONDENSED STATEMENT OF CASH FLOWS</b>   |                       |                              |
| Net Cash Provided (Used) by:   |                       |                              |
| Operating Activities   | \$ 7,497,076          | 1,443,658                    |
| Noncapital Financing Activities  | (2,186,552)           | 2,081,598                    |
| Capital and Related Financing Activities   | (3,507,437)           | (2,710,767)                  |
| Investing Activities   | <u>(1,671,435)</u>    | <u>(667,913)</u>             |
| Net Increase in Cash   | 131,652               | 146,576                      |
| Beginning Balance  | 3,388,787             | 396,283                      |
| Ending Balance   | <u>\$ 3,520,439</u>   | <u>542,859</u>               |

CITY OF LINCOLN, NEBRASKA  
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**(20) PLEDGED REVENUES**

The City has pledged future revenues derived from the operation of the Lincoln Wastewater System, net of operating and maintenance expenses, to repay all outstanding wastewater revenue bonds and loans. Proceeds from the debt provided financing for improvements to the sanitary sewer system, as well as refunding prior year wastewater 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 is \$82,939,811 with annual payments expected to require 40% of net revenues. Principal and interest paid for the current year and net system revenues were \$6,961,103 and \$17,518,091, 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 debt is payable solely from the net earnings of the Water System and is payable through 2034. The total principal and interest remaining to be paid is \$57,005,766, with annual payments expected to require 31% of net revenues. Principal and interest paid for the current year and net system revenues were \$6,394,487 and \$23,704,752, 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 2040. The total principal and interest remaining to be paid on the bonds is \$821,170,000, with annual payments expected to require 46% of net revenues. Principal and interest paid for the current year and net system revenues were \$42,689,000 and \$106,243,000, 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 \$32,381,634, with annual payments expected to require 34% of net revenues. Principal and interest paid for the current year and net system revenues were \$2,411,890 and \$7,539,604, 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 \$12,577,570, with annual payments expected to require 31% of net revenues. Principal and interest paid for the current year and net system revenues were \$1,176,796 and \$3,779,790 respectively.

**(21) PUBLIC BUILDING COMMISSION**

In 1990, the City and the County of Lancaster, pursuant to state statute, activated a separate governmental entity denominated as the Lincoln-Lancaster County Public Building Commission. The purpose of this joint venture is to design, acquire, construct, maintain, operate, improve, remodel, remove and reconstruct, so long as its corporate existence continues, public buildings, structures, or facilities for use jointly by the City and the County. The City and the County each appoint two members to the five-member Commission, with the fifth member being appointed by the other four members. All property held or acquired by the Commission is held or acquired in the name of the City and the County for use by the Commission in its corporate capacity. The Commission's costs of operation and debt service are funded through rental payments made by the City and the County based upon their proportionate occupancy of such buildings to the extent not covered by a maximum property tax levy of 1.7 cents for each \$100 of actual valuation of taxable property in the County. For the year ended August 31, 2018, the City made rental payments of approximately \$3.1 million to the Commission.

CITY OF LINCOLN, NEBRASKA  
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As of August 31, 2018, the Commission has debt outstanding of \$34,645,494. 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 from the Lancaster County Budget & Fiscal Officer, 555 South 10th Street, Suite 110, Lincoln, NE 68508.

**(22) TAX ABATEMENTS**

As of August 31, 2018, the City provides tax abatements through three programs - the Tax Increment Financing (TIF) program, the Employment and Investment Growth Act, and the Nebraska Advantage Act:

The Tax Increment Financing Law allows for the increased property taxes generated by the improvement of blighted property to be used to pay for the financing of community redevelopment/TIF projects. The statutes for community redevelopment/TIF are found in Neb.Rev.Stat. SS 18-2101 through 18-2150. The City must declare the area as substandard, blighted, and in need of redevelopment. The City is required to prepare a redevelopment plan. TIF bonds may be issued for the acquisition of property, site preparation, and public improvements. An agreement is entered into between the City and the Developer and a base valuation is established. The base property valuation remains assessable to all taxing entities. Any increase in value and resulting taxes are used to pay off the debt incurred for the redevelopment project. The project must not exceed a 15-year period. Currently, the City has Developer TIF bonds that extend through December 31, 2032.

For the year ended August 31, 2018, the City abated \$1,541,782 in property tax revenue under the tax increment financing program.

The Employment and Investment Growth Act and the Nebraska Advantage Act provide benefits in the form of sales tax rebates for businesses which invest and/or increase employment by specified amounts (Neb.Rev.Stat. SS 77-4101 et. seq). Businesses that qualify must be involved in research, data processing, finance or insurance, manufacturing, technology-related services or a headquarters operation. The Act is available to businesses transporting, wholesaling, storing, or selling products, but not retailers who do not make their own products. Businesses must propose a qualifying project and be approved by the State of Nebraska Department of Revenue. The obligations of each party are set out in a contract with the State. If the project qualifies for benefits, but later falls below the required levels of jobs or investment, the company receives no benefits for that year and one-seventh of the benefits already received are recaptured for each year the company fails to qualify.

For the year ended August 31, 2018, the City abated \$1,165,633 in sales tax revenue under these two programs.

**(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 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 \$30.2 million are reflected in utility plant at December 31, 2017.



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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 \$1.3 million at December 31, 2017.

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 section of the agreement which provides for the County to pay LES monthly payments for the capital budget, processing and dispatch costs was amended in September 2016. The monthly payments are subject to true-up each January 1 based on actual costs (as compared to budget) of LRS. The agreement remains in effect until either the final maturity occurs on any LRS related debt or LRS is removed from commercial operation. During 2017 LES billed the County approximately \$3.6 million for demand and energy charges.

Walter Scott Energy Center (WSEC #4)

MidAmerican Energy's Walter Scott Energy Center includes four coal-fired units. LES maintains ownership interest in 12.66% of WSEC #4. In order to minimize unit outage risk, LES has executed a power purchase and sales agreement with MidAmerican Energy to "swap" capacity and energy from LES' WSEC #4 ownership with capacity and energy from WSEC #3. Under this agreement LES will schedule 50 MW of capacity and energy from WSEC #3 and 53 MW of capacity and energy from WSEC #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 WSEC #4 and has capitalized these costs plus interest. Costs, net of accumulated depreciation, associated with WSEC #4 of approximately \$131 million are reflected in utility plant at December 31, 2017.

**(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 appointed by LES. No participant has any obligation, entitlement, or residual interest.

The DEC Board of Directors, under a management agreement, has appointed LES to supervise and manage the system and business affairs of DEC. LES is reimbursed for these management services based on the allocated actual costs of these services. LES also provides electric energy to DEC on an established rate schedule. The total amount of payments to LES for management, operations, and maintenance services was approximately \$1,221,000 in 2017. The total amount of payments to LES for energy was approximately \$565,000 in 2017.

Nebraska Utility Corporation

On May 17, 2001, LES, in conjunction with the University of Nebraska Board of Regents, created the Nebraska Utility Corporation (NUCorp) to purchase, lease, construct, and finance facilities and acquire services to meet energy requirements of the University of Nebraska Lincoln (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 energy supply and financial 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 \$125,000 in 2017. The total amount of payments to LES for energy was approximately \$9.5 million in 2017.

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**(25) SUBSEQUENT EVENTS**

In September 2018, the City issued a payment in the amount of \$15,000,000 to the State of Nebraska Department of Transportation for the City of Lincoln's contribution towards the Lincoln South Beltway project.

In November 2018, the Parking System made payments totaling approximately \$5.1 million for the purchase of a downtown parking garage and related real property. In January 2019, the Parking System made a payment of \$1 million to purchase two surface parking lots adjacent to the parking garage purchased in November. Additionally, in early February 2019, the City Council gave approval for the acquisition of a leasehold interest in another nearby downtown parking garage with a purchased price of \$1.87 million.

In January 2019, the City issued a promissory note in the amount of \$2,175,080 for the purpose of financing a portion of the costs of certain energy efficient equipment and improvements for the Parks and Recreation Department and Lincoln City Libraries.

**CITY OF LINCOLN, NEBRASKA**  
**Required Supplementary Information**  
**August 31, 2018**

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

|  | 2018                  | 2017                  | 2016                  | 2015                  | 2014                  |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Total Pension Liability</b>   |                       |                       |                       |                       |                       |
| Service cost   | \$ 7,416,228          | \$ 7,117,899          | \$ 8,539,932          | \$ 7,929,376          | \$ 7,289,994          |
| Interest   | 20,800,989            | 19,817,083            | 19,098,818            | 17,507,641            | 16,897,591            |
| Differences between expected and actual experience                         | (1,147,672)           | 1,513,600             | (3,351,824)           | 7,390,055             | 736,647               |
| Effect of assumption changes or inputs                                     | -                     | -                     | -                     | (23,499,491)          | 22,725,982            |
| Benefit payments, including refunds of member contributions                | (15,667,557)          | (15,004,132)          | (14,426,427)          | (13,708,805)          | (13,430,163)          |
| Net change in total pension liability                                      | 11,401,988            | 13,444,450            | 9,860,499             | (4,381,224)           | 34,220,051            |
| Total pension liability - beginning  | 285,038,672           | 271,594,222           | 261,733,723           | 266,114,947           | 231,894,896           |
| Total pension liability - ending (a)                                       | <u>\$ 296,440,660</u> | <u>\$ 285,038,672</u> | <u>\$ 271,594,222</u> | <u>\$ 261,733,723</u> | <u>\$ 266,114,947</u> |
| <b>Plan Fiduciary Net Position</b>   |                       |                       |                       |                       |                       |
| Contributions - employer   | \$ 8,239,839          | \$ 7,974,731          | \$ 7,170,104          | \$ 8,045,293          | \$ 7,865,929          |
| Contributions - employee   | 3,195,658             | 3,112,583             | 2,817,102             | 2,604,101             | 2,613,971             |
| Net investment income  | 17,407,833            | 23,644,797            | 14,795,745            | (5,843,555)           | 30,932,275            |
| Benefit payments, including refunds of member contributions                | (15,667,557)          | (15,004,132)          | (14,426,427)          | (13,708,805)          | (13,430,163)          |
| Administrative expense   | (435,578)             | (445,579)             | (493,860)             | (444,578)             | (407,146)             |
| Net change in plan fiduciary net position                                  | 12,740,195            | 19,282,400            | 9,862,664             | (9,347,544)           | 27,574,866            |
| Plan fiduciary net position - beginning                                    | 233,140,335           | 213,857,935           | 203,995,271           | 213,342,815           | 185,767,949           |
| Plan fiduciary net position - ending (b)                                   | <u>\$ 245,880,530</u> | <u>\$ 233,140,335</u> | <u>\$ 213,857,935</u> | <u>\$ 203,995,271</u> | <u>\$ 213,342,815</u> |
| <b>PFP Net Pension Liability - Ending (a) - (b)</b>                        | <u>\$ 50,560,130</u>  | <u>\$ 51,898,337</u>  | <u>\$ 57,736,287</u>  | <u>\$ 57,738,452</u>  | <u>\$ 52,772,132</u>  |
| Plan fiduciary net position as a percentage of the total pension liability | 82.94%                | 81.79%                | 78.74%                | 77.94%                | 80.17%                |
| Covered payroll  | \$ 44,885,478         | \$ 42,930,194         | \$ 42,381,059         | \$ 37,887,505         | \$ 38,107,652         |
| PFP net pension liability as a percentage of covered payroll               | 112.64%               | 120.89%               | 136.23%               | 152.39%               | 138.48%               |

**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.

**Changes of benefit and funding terms:**

8/31/2016 valuation - City Ordinance No. 20343, as passed by the City Council, merged the COLA Pool fund into the general pension fund. No benefits were impacted, only the funding of the benefits.

**Changes in actuarial assumptions:**

8/31/2016 valuation - Expected future investment return was increased from 6.40% to 7.50% compounded annually.

8/31/2015 valuation - Expected future investment return was reduced from 6.75% to 6.40% compounded annually.

8/31/2014 valuation - Expected future investment return was reduced from 7.50% to 6.75% compounded annually.

Assumed salary increase rates were reduced.

Mortality tables were updated from the 1994 Group Annuity Mortality tables with a 2 year set forward for males and 1 year set forward for females to the RP2000 Mortality table with generational improvements using Scale AA.

Assumed rates of retirement were generally lowered for Plans A, B and C.

The payroll growth assumption was reduced from 4.25% to 3.00%.

CITY OF LINCOLN, NEBRASKA  
Required Supplementary Information  
August 31, 2018

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

|   | 2018               | 2017                | 2016                | 2015              | 2014                |
|---|--------------------|---------------------|---------------------|-------------------|---------------------|
| Actuarial determined employer contribution              | \$ 8,164,782       | \$ 7,829,103        | \$ 9,666,852        | \$ 8,418,199      | \$ 7,377,763        |
| Actual employer contributions                           | 8,239,839          | 7,974,731           | 7,170,104           | 8,045,293         | 7,865,929           |
| Annual contribution deficiency (excess)                 | <u>\$ (75,057)</u> | <u>\$ (145,628)</u> | <u>\$ 2,496,748</u> | <u>\$ 372,906</u> | <u>\$ (488,166)</u> |
| Covered payroll - current                               | \$ 44,885,478      | \$ 42,930,194       | \$ 42,381,059       | \$ 37,887,505     | \$ 38,107,652       |
| Actual contributions as a percentage of covered payroll | 18.36%             | 18.58%              | 16.92%              | 21.23%            | 20.64%              |

Note to Schedule:

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

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.

|   |                                 |                                 |                                 |                               |                               |
|---|---------------------------------|---------------------------------|---------------------------------|-------------------------------|-------------------------------|
| Valuation date:   | 8/31/2016                       | 8/31/2015                       | 8/31/2014                       | 8/31/2013                     | 8/31/2012                     |
| Methods and assumptions used to determine contribution rates: |                                 |                                 |                                 |                               |                               |
| Actuarial cost method:  | Entry Age Normal                | Entry Age Normal                | Entry Age Normal                | Entry Age Normal              | Entry Age Normal              |
| Amortization method:  | 30 years, level percent, closed | 30 years, level percent, closed | 30 years, level percent, closed | 30 years, level percent, open | 30 years, level percent, open |
| Remaining amortization period:                                | 28 years                        | 29 years                        | 30 years                        | 30 years                      | 30 years                      |
| Asset valuation method:                                       | 5-year smoothed market          | 5-year smoothed market          | 5-year smoothed market          | 5-year smoothed market        | 5-year smoothed market        |
| Inflation:  | 2.50%                           | 2.50%                           | 2.50%                           | 4.25%                         | 4.25%                         |
| Salary increases:   | 3.50% - 7.30%                   | 3.50% - 7.30%                   | 3.50% - 7.30%                   | 4.25% - 8.25%                 | 4.25% - 8.25%                 |
| Investment rate of return:                                    | 7.50%                           | 6.40%                           | 6.75%                           | 7.50%                         | 7.50%                         |

**Schedule of Investment Returns for the Police and Fire Pension**  
Last Ten Fiscal Years

|   | 2018  | 2017   | 2016  | 2015   | 2014   | 2013   | 2012  | 2011   | 2010  | 2009    |
|---|-------|--------|-------|--------|--------|--------|-------|--------|-------|---------|
| Annual money-weighted rate of return, net of investment expense | 7.59% | 11.25% | 7.36% | -3.52% | 16.67% | 12.42% | 5.47% | 12.64% | 9.60% | -16.77% |

**CITY OF LINCOLN, NEBRASKA**  
Required Supplementary Information  
August 31, 2018

**Schedule of Changes in the Total OPEB Liability  
and Related Ratios**

Measurement Period Ending August 31,

|   | <u>2017</u>                 |
|---|-----------------------------|
| <b>Total OPEB Liability</b>                                 |                             |
| Service cost  | \$ 969,040                  |
| Interest  | 539,411                     |
| Effect of assumption changes or inputs                      | (1,133,914)                 |
| Benefit payments  | <u>(1,070,494)</u>          |
| Net change in total OPEB liability                          | (695,957)                   |
| Total OPEB liability - beginning                            | <u>19,458,198</u>           |
| Total OPEB liability - ending                               | <u><u>\$ 18,762,241</u></u> |
| <br>Covered payroll   | <br>\$ 138,350,403          |
| <br>Total OPEB liability as a percentage of covered payroll | <br>13.56%                  |

**Notes to schedule:**

Results for the other years within the last ten years are not available and will be developed prospectively from 2017.

The City of Lincoln has no accumulated assets held in trust to pay related benefits.

**Changes in actuarial assumptions:**

8/31/17 valuation - The discount rate has changed from 2.85% to 3.53% due to a change in the municipal bond rate.

## **APPENDIX C**

### **BOOK-ENTRY SYSTEM**

## BOOK-ENTRY SYSTEM

The Depository Trust Company, New York, NY, will act as securities depository for the Series 2019 Bonds. The Series 2019 Bonds will be issued as fully registered bonds 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 2019 Bond will be issued for each maturity of the Series 2019 Bonds, each 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 Bonds Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. Bonds 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) and [www.dtc.org](http://www.dtc.org).

Purchases of Series 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2019 Bond ("**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 2019 Bonds 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 2019 Bonds, except in the event that use of the book-entry system for the Series 2019 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2019 Bonds 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 2019 Bonds 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 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2019 Bonds 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 2019 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2019 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Series 2019 Bonds may wish to ascertain that the nominee holding the Series 2019 Bonds 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 will be sent to DTC. If less than all of the Series 2019 Bonds within an issue 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 the Series 2019 Bonds 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 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2019 Bonds 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 Bond Fund Trustee, on the 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 Series 2019 Bonds 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 nor its nominee, the City, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of redemption proceeds, distributions, and dividend payments 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 Bond Fund 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 securities depository with respect to the Series 2019 Bonds at any time by giving reasonable notice to the City or the Registrar and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, bond 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, bond 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, and neither the City nor the Underwriter takes responsibility for the accuracy thereof, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.*



## **APPENDIX D**

### **FORM OF OPINION OF BOND COUNSEL**

\_\_\_\_\_, 2019

City of Lincoln, Nebraska  
Lincoln, Nebraska

Raymond James  
Memphis, Tennessee

Re: \$48,375,000 City of Lincoln, Nebraska, General Obligation Parking System and Refunding Bonds, Taxable Series 2019

Ladies and Gentlemen:

We have acted as bond counsel to the City of Lincoln (the “Issuer”) in the State of Nebraska, (“State”) in connection with the issuance of the above-captioned bonds (the “Bonds”). In this capacity, we have examined the law and the certified proceedings, certifications and other documents that we deem necessary to render this opinion. Capitalized terms used but not defined herein have the meanings ascribed thereto in the ordinance of the City duly adopted by the Council on May 6, 2019 and approved by the Mayor on May 10, 2019 related to the Bonds (the “Bond Ordinance”).

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify them by independent investigation.

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

1. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and legally binding general obligations of the Issuer.

2. The Bonds are payable as to both principal and interest from a pledge of the Pledged Parking Revenues and the funds established in the Bond Ordinance. The Bonds are further secured by a pledge of the Highway Allocation Fund receipts of the City, subject to the prior lien on such receipts by the Outstanding Highway Allocation Bonds. To the extent that other legally available money of the City available or appropriated for such purposes is insufficient to pay the principal or redemption price of and interest on the Bonds when and as the same fall due, the City has agreed in the Bond Ordinance that it will cause to be levied and collected annually a tax on all the taxable property in the City within any applicable charter, statutory and constitutional limitations sufficient in amount to pay the principal or redemption price of and interest on the Bonds until the same is fully paid. The City has reserved the right in the Bond Ordinance to apply receipts from the Highway Allocation Fund in any year for other purposes so long as sufficient amounts have been sent aside for payment of the Outstanding Highway Allocation Bonds and the Bonds falling due in such year, to the extent necessary after application of the Pledged Parking Revenues

for payment of the Bonds. The City has also reserved the right to issue additional bonds payable on a parity as to the Pledged Parking Revenues and the Highway Allocation Fund with the Bonds.

3. Interest on the Bonds is included in gross income as interest for federal income tax purposes and is not exempt from Nebraska income taxation. We express no opinion regarding other tax consequences related to the ownership or disposition of the Bonds.

We express no opinion regarding the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth in this opinion.

The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

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,