

**NEW ISSUE – BOOK-ENTRY ONLY
NOT BANK QUALIFIED**

**RATING: S&P Global Ratings: “AAA”
See “RATING”**

In the opinion of Gilmore & Bell, P.C., Special Tax Counsel to the City, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), the Interest Portion of Basic Rent Payments paid by the City and distributed to the registered owners of the Series 2021 Certificates (including any original issue discount properly allocable to an owner thereof) (1) is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax and (2) is exempt from income taxation by the State of Nebraska. The Series 2021 Certificates have not been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code. See “TAX MATTERS” in this Official Statement.

**OFFICIAL STATEMENT
\$21,215,000
CERTIFICATES OF PARTICIPATION
SERIES 2021
Evidencing Proportionate Interests of the Owners
Thereof in Basic Rent Payments to be Made by
THE CITY OF LINCOLN, NEBRASKA
as Lessee pursuant to a Lease Purchase Agreement with Union Bank and Trust Company, as Lessor**

Dated: date of delivery

Due: April 1, as shown on the inside cover

The Series 2021 Certificates will be executed and delivered in fully registered form in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Series 2021 Certificates. Purchases of the Series 2021 Certificates will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof as described above. Purchasers will not receive certificates representing their interests in Series 2021 Certificate purchases. So long as Cede & Co. is the registered owner of the Series 2021 Certificates, as nominee of DTC, references herein to the Registered Owners shall mean Cede & Co. and shall not mean the Beneficial Owners (herein defined) of the Series 2021 Certificates. Interest Portions of Basic Rent represented by the Series 2021 Certificates are payable semiannually on April 1 and October 1 of each year, to and including the date of maturity or prepayment, whichever is earlier, commencing on April 1, 2022.

The Series 2021 Certificates evidence the ownership of proportionate interests in, and rights to receive payments under, a Lease Purchase Agreement, dated November 18, 2010 (as amended and supplemented from time to time, including, without limitation, the Third Lease Purchase Agreement Supplement, dated July 1, 2021, the “Lease”), between Union Bank and Trust Company, a state banking corporation (the “Trustee”), as lessor, and The City of Lincoln, Nebraska (the “City”), as lessee. The Series 2021 Certificates are executed and delivered pursuant to a Declaration of Trust dated November 18, 2010 (as amended and supplemented from time to time, including, without limitation, a Third Declaration of Trust Supplement, dated July 1, 2021, the “Declaration of Trust”), made by the Trustee. Neither the Series 2021 Certificates nor the Basic Rent Payments are obligations of the Trustee, and the Trustee does not have any obligations under or with respect to the Series 2021 Certificates or the Basic Rent Payments.

The Series 2021 Certificates constitute interests in Basic Rent Payments to be made by the City. The Basic Rent Payments are payable from the City’s General Fund, which includes the City’s sales tax revenue and ad valorem taxes levied by the City against all taxable property in the City. See “NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION.”

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 Series 2021 Certificates are subject to optional prepayment prior to maturity as described herein. See “THE SERIES 2021 CERTIFICATES OF PARTICIPATION—Optional Prepayment.”

The Series 2021 Certificates are offered when, as and if executed and delivered by the Trustee, subject to the approval of their validity by Gilmore & Bell, P.C., Special Tax Counsel, as described herein. Certain legal matters will be passed upon for the City by Yohance Christie, City Attorney. It is expected that the Series 2021 Certificates in definitive form will be available for delivery at The Depository Trust Company in New York, New York, on or about July 8, 2021.

MATURITY SCHEDULE – SEE INSIDE COVER

PFM FINANCIAL ADVISORS LLC

Has Acted as Municipal Advisor with respect to the Series 2021 Certificates

The date of this Official Statement is June 23, 2021

MATURITY SCHEDULE

\$21,215,000
THE CITY OF LINCOLN, NEBRASKA
CERTIFICATES OF PARTICIPATION
SERIES 2021

Maturity (April 1,)	Principal Amount	Interest Rate	Yield	Price	CUSIP (534266)
2022	\$1,900,000	5.000%	0.170%	103.524%	HS3
2023	2,240,000	5.000	0.300	108.106	HT1
2024	2,255,000	5.000	0.380	112.537	HU8
2025	2,275,000	5.000	0.520	116.529	HV6
2026	2,290,000	5.000	0.670	120.127	HW4
2027	1,675,000	5.000	0.770	123.667	HX2
2028	1,695,000	5.000	0.900	126.716	HY0
2029	1,165,000	5.000	1.020	129.511	HZ7
2030	1,185,000	5.000	1.130 [†]	128.568	JA0
2031	1,200,000	4.000	1.200 [†]	120.611	JB8
2032	530,000	3.000	1.350 [†]	112.072	JC6
2033	540,000	3.000	1.400 [†]	111.683	JD4
2034	555,000	2.000	1.900 [†]	100.714	JE2
2035	565,000	2.000	1.950 [†]	100.355	JF9
2036	580,000	2.000	2.000	100.000	JG7
2037	105,000	2.000	2.050	99.329	JH5
2038	110,000	2.000	2.100	98.594	JJ1
2039	115,000	2.125	2.150	99.631	JK8
2040	115,000	2.125	2.200	98.852	JL6
2041	120,000	2.250	2.250	100.000	JM4

[†]Yield to first optional call date of April 1, 2029.

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

Leirion Gaylor Baird, Mayor

City Council Members

James Michael Bowers (Chair)

Tom Beckius
Jane Raybould
Tammy Ward

Richard Meginnis
Bennie Shobe
Sandra Washington

City Department Heads

David Young	Interim Finance Director
Yohance Christie	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
Elizabeth Elliott	Transportation and Utilities Director
Patricia Lopez	Health Director
Douglas J. McDaniel	Human Resources Director
Chad Blahak	Building and Safety Director
Brian Jackson	Interim Police Chief
Dave Engler	Fire Chief

Melinda Jones, City Controller

Municipal Advisor

PFM Financial Advisors LLC

Special Tax Counsel

Gilmore & Bell, P.C.

Lessor and Trustee

Union Bank and Trust Company

Independent Auditors

BKD LLP

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, sales representative or other person has been authorized by the City or the Underwriter to give any information or to make any representations with respect to the Series 2021 Certificates other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2021 Certificates by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the City and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2021 CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2021 CERTIFICATES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES OR “BLUE SKY” LAWS. THE SERIES 2021 CERTIFICATES ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION. THE SECURITIES DESCRIBED HEREIN HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

FORWARD-LOOKING STATEMENTS

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

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OFFICIAL STATEMENT

\$21,215,000

CERTIFICATES OF PARTICIPATION SERIES 2021

Evidencing Proportionate Interests of the Owners
Thereof in Basic Rent Payments to be Made by
THE CITY OF LINCOLN, NEBRASKA
as Lessee pursuant to a Lease Purchase Agreement with
Union Bank and Trust Company, as Lessor

INTRODUCTION

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

Purpose of the Official Statement

This Official Statement, including the cover page and the appendices hereto (the **“Official Statement”**), is provided to furnish information with respect to the sale and delivery of certificates of participation in the aggregate principal amount of \$21,215,000 (the **“Series 2021 Certificates”**), representing the proportionate interests of the owners thereof (the **“Certificate Owners”**) in basic rent payments (the **“Basic Rent Payments”**) to be made by The City of Lincoln, Nebraska (the **“City”**), as the rental payments and purchase price of the interest of Union Bank and Trust Company, a state banking corporation, as lessor (the **“Trustee”**), in the hereinafter defined Project, pursuant to a Lease Purchase Agreement, dated November 18, 2010 (as amended and supplemented from time to time, including, without limitation, the Third Lease Purchase Agreement Supplement, dated July 1, 2021, the **“Lease”**), entered into between the Trustee and the City, as lessee. See **“THE 2021 PROJECT.”**

The City

The City is a city of the primary class and political subdivision organized and existing under the laws of the State of Nebraska. The City is located in the geographic center of Lancaster County, Nebraska, and is the state capital, as well as the county seat. See **“APPENDIX A—THE CITY OF LINCOLN, NEBRASKA”** and **“APPENDIX B—FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED AUGUST 31, 2020, TOGETHER WITH AUDITOR’S REPORT THEREON.”**

Plan of Financing

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

facilities (collectively, the **“2010 Project”**), and (c) pay certain costs in connection with the issuance of the Series 2010 Certificates.

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

On July 7, 2016, \$8,550,000 principal amount of Certificates of Participation, Series 2016 (the **“Series 2016 Certificates”**) were issued pursuant to the Original Declaration, the First Supplemental Declaration and a Second Declaration of Trust Supplement dated July 7, 2016 (the **“Second Supplemental Declaration”**) made by the Trustee. The proceeds of the Series 2016 Certificates were used to provide additional funds to purchase and install (i) light poles and related equipment for the lighting of streets; (ii) fire apparatus aerial trucks and new fire engines; (iii) a fire station to replace the City’s existing Fire Station No. 11, which is currently located on land provided by the Lincoln Airport Authority; and (iv) a new roof and HVAC systems for the 2010 Project ((i) through (iv), collectively, the **“2016 Project”**), and (b) pay certain costs in connection with the issuance of the Series 2016 Certificates.

The Series 2021 Certificates will be issued pursuant to the Original Declaration, the First Supplemental Declaration, a Second Declaration of Trust Supplement, dated July 7, 2016, and a Third Declaration of Trust Supplement, dated July 1, 2021 (the **“Third Supplemental Declaration”** and, together with the Original Declaration, the First Supplemental Declaration, the Second Supplemental Declaration and any amendments and supplements thereto, the **“Declaration of Trust”**). The proceeds of the Series 2021 Certificates are expected to be used to provide funds to (i) acquire, construct, equip, purchase and install (a) snow removal equipment, street light poles and related equipment, golf course irrigation equipment and sidewalk improvements, and (b) an aging development center and an air park recreational center in the City (collectively, the **“2021 Project”**); (ii) refinance the City’s obligations related to the Series 2010 Certificates (the **“Refunded Certificates”**); and (iii) pay certain costs in connection with the issuance of the Series 2021 Certificates. Pursuant to the terms and conditions of the Lease and the Declaration of Trust, made by the Trustee, the Trustee and the City have agreed that the Trustee will pay, from proceeds of the sale of the Series 2021 Certificates, the cost of the 2021 Project and the refinancing of the Refunded Certificates. The 2010 Project, the 2012 Project, the 2016 Project and the 2021 Project are referred to collectively as the **“Project.”**

The Series 2021 Certificates are payable solely from the Basic Rent Payments to be paid by the City under the Lease and, to the extent received by the Trustee, net proceeds of certain insurance policies, condemnation awards or proceeds from the liquidation of interests in the Project.

The Financing Documents

The Trustee will lease the Project, with the option to purchase upon final payment of all amounts due thereunder, to the City pursuant to the Lease. The Lease provides, among other things, for a term that commenced on November 18, 2010, and ends on April 1, 2041, the date of the final maturity of the Series 2021 Certificates. The City is authorized to enter into the Lease pursuant to (a) Ordinance No. 19641, passed by the Council on October 25, 2010 and approved by the Mayor on October 28, 2010, (b) Ordinance No. 19759, passed by the Council on August 13, 2012 approved by the Mayor on August 16,

2012, (c) Ordinance No. 20326, passed by the Council on May 16, 2016 and approved by the Mayor on May 20, 2016, and (d) Ordinance No. 21061, passed by the Council on April 26, 2021 and approved by the Mayor on April 30, 2021 (collectively, the **“Ordinance”**).

The Series 2021 Certificates are being executed and delivered pursuant to the Declaration of Trust, made by the Trustee. Neither the Certificates nor the Basic Rent Payments are obligations of the Trustee, and the Trustee has no liability or obligation under or with respect to the Certificates or the Basic Rent Payments.

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

Financial Statements

The audited financial statements of the City for Fiscal Year ended August 31, 2020, are included in **APPENDIX B** hereto. The financial statements in **APPENDIX B** have been audited by BKD, LLP, Lincoln, Nebraska, independent auditors, whose report thereon is also included in **APPENDIX B** hereto.

Continuing Disclosure

The City agrees in a Continuing Disclosure Undertaking dated the date of delivery (the **“Disclosure Certificate”**) to provide certain annual financial information and operating data relating to the City by not later than May 1 of each year (the **“Annual Report”**), commencing May 1, 2022, and to provide notices of the occurrence of certain enumerated events. See **“CONTINUING DISCLOSURE.”**

Definitions and Descriptions; Inspection of Documents

Certain capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings given to such terms in **“APPENDIX C—DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS.”** Summaries of the Lease and the Declaration of Trust are also included in **APPENDIX C**. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Lease, the Declaration of Trust and the Disclosure Certificate are qualified in their entirety by reference to such documents, copies of which may be viewed at the principal corporate office of the Municipal Advisor with respect to the Series 2021 Certificates, 801 Grand Ave, Suite 3300, Des Moines, Iowa 50309 or will be provided by the Municipal Advisor with respect to the Series 2021 Certificates to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request. All references to the Series 2021 Certificates are qualified in their entirety by the definitive terms thereof and the information with respect thereto included in the Lease, the Declaration of Trust and the Disclosure Certificate. Information concerning the City has been supplied by the City, and has not been verified by the Trustee, and the Trustee makes no representation or warranty, express or implied, as to the accuracy or completeness of such information.

THE SERIES 2021 CERTIFICATES OF PARTICIPATION

General Provisions

The Series 2021 Certificates are dated the date of delivery thereof, and will mature on April 1, in the amounts and in the years stated on the inside cover page hereof unless prepaid prior thereto.

Payment of Basic Rent and Prepayment Price

The Series 2021 Certificates will be delivered in the denomination of \$5,000 each or any integral multiple thereof in book-entry form. Purchases of the Series 2021 Certificates will be made in book-entry only form in the denomination of \$5,000 or any integral multiple thereof. Purchasers of the Series 2021 Certificates will not receive certificates representing their interests in the Series 2021 Certificates purchased. Each Series 2021 Certificate represents a proportionate interest in the Principal Portions and Interest Portions of the Basic Rent Payments to be paid by the City to the Trustee for the benefit of the Series 2021 Certificate Owners. Principal Portions of Basic Rent will be payable on April 1 of each year beginning April 1, 2022. Interest Portions of Basic Rent shall be payable semiannually on April 1 and October 1 of each year (each, a **“Basic Rent Payment Date”**), beginning on April 1, 2022, to and including the date of maturity or prepayment, whichever is earlier. Under the Declaration of Trust, the Trustee is designated as the initial paying agent for the Series 2021 Certificates.

While the Series 2021 Certificates remain in book-entry form, payments to Beneficial Owners (defined herein) are governed by the rules of DTC as described in **“THE SERIES 2021 CERTIFICATES OF PARTICIPATION—Book-Entry Only System.”** In the event that DTC ceases to act as securities depository for the Series 2021 Certificates, payment may be made as described below. Under the Declaration of Trust, the Trustee is designated as the initial paying agent for the Series 2021 Certificates.

Interest Portions of Basic Rent represented by the Series 2021 Certificates shall be payable by check or draft of the Trustee mailed to the Series 2021 Certificate Owners at the address of each Series 2021 Certificate Owner shown on the registration books maintained by the Trustee as of the close of business on the fifteenth day (whether or not a Business Day) prior to each Basic Rent Payment Date (the **“Record Date”**), or at the written request of any Owner of Series 2021 Certificates in the aggregate Principal Portion of at least \$500,000, by electronic transfer to the bank for credit to the ABA routing number and account number filed with the Trustee no later than 15 days prior to the record date.

The Principal Portion of the Basic Rent or Prepayment Price represented by the Series 2021 Certificates will be payable (whether at maturity or upon prepayment or acceleration) by check or draft to the Owners of such Series 2021 Certificates upon presentation and surrender of such Series 2021 Certificates at the designated corporate trust office of the Trustee.

Transfer and Exchange

While the Series 2021 Certificates remain in book-entry form, transfers of ownership by Beneficial Owners may be made as described under **“THE SERIES 2021 CERTIFICATES OF PARTICIPATION—Book-Entry Only System.”** In the event that DTC ceases to act as securities depository for the Series 2021 Certificates, transfers may be effected as described below.

Books for the registration and transfer of the Series 2021 Certificates are to be kept by the Trustee, as registrar. Upon surrender for transfer of any Series 2021 Certificate at the principal payment office of the Trustee and satisfaction of the conditions and restrictions of such transfer, the Trustee is to execute and deliver in the name of the transferee a new Series 2021 Certificate of the same maturity or maturities, interest rate and tenor as the Series 2021 Certificates surrendered. Series 2021 Certificates may be exchanged at the principal payment office of the Trustee for an equal aggregate principal amount of Series 2021 Certificates of the same maturity or maturities, interest rate and tenor as the Series 2021 Certificate surrendered. All Series 2021 Certificates presented for transfer or exchange must be accompanied by a written instrument of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Trustee, duly executed by the Owner or by his attorney duly authorized in writing.

The Trustee is not required to transfer or exchange any Series 2021 Certificate after such Series 2021 Certificate has been called for prepayment.

The person in whose name any Series 2021 Certificate is registered is deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of either the Principal Portion or the Interest Portion of the Basic Rent Payments represented by any Series 2021 Certificate will be made only to or upon the written order of the registered owner thereof or his legal representative.

The Series 2021 Certificates are payable in lawful money of the United States of America which at the time of payment is legal tender for the payment of public and private debt. Series 2021 Certificates may be transferred at the principal payment office of the Trustee. Series 2021 Certificates may be exchanged for Series 2021 Certificates of the same maturity of other authorized denominations in accordance with the terms of the Declaration of Trust. For every such exchange or transfer of Series 2021 Certificates, the Trustee shall make a charge to the Series 2021 Certificate Owner sufficient to reimburse it for any tax, fee or other governmental charges required to be paid with respect to such exchange or transfer.

Optional Prepayment

Optional Prepayment. The Series 2021 Certificates maturing on April 1, 2030, and thereafter are subject to optional prepayment at the option of the City, as a whole or in part, at any time on or after April 1, 2029, at the prepayment price of 100% of the Principal Portion of Basic Rent being prepaid set forth below, plus Interest Portions of Basic Rent accrued to the prepayment date.

Notice of Prepayment. Unless otherwise provided in the Declaration of Trust, notice of prepayment shall be given by the Trustee not less than 30 days nor more than 60 days prior to the Prepayment Date to the City and the Owner of each Series 2021 Certificate affected at the address shown on the registration books of the Registrar on the date such notice is mailed. Each notice of prepayment shall state the Prepayment Date, the place of prepayment, the Prepayment Price and, if less than all, the numbers of the Series 2021 Certificates to be prepaid. Such notice will also state that the Interest Portion of the Basic Rent represented by the Series 2021 Certificates designated for prepayment will cease to accrue from and after such Prepayment Date and that on said date the Prepayment Price will become due and payable on each of such Series 2021 Certificates.

So long as the book-entry only system is used for the Series 2021 Certificates, the Trustee will give any notice of prepayment or any other notices required to be given to owners only to DTC. Any failure of DTC to advise any DTC Participant or of any DTC Participant to notify the Beneficial Owner of any such notice and its content or effect will not affect the validity of the prepayment of the Series 2021 Certificates so called for prepayment. Beneficial Owners may desire to make arrangements with a DTC Participant so that all notices of prepayment or other communications to DTC which affect such Beneficial Owners, including notification of all interest payments, will be forwarded in writing by such DTC Participant. See “**THE SERIES 2021 CERTIFICATES OF PARTICIPATION—Book-Entry Only System.**”

The Trustee is also directed to comply with any mandatory or voluntary standards then in effect for processing prepayments of municipal securities established by the Securities and Exchange Commission. Failure to comply with such standards shall not affect or invalidate the prepayment of any Series 2021 Certificates to be prepaid.

Effect of Prepayment. Notice of prepayment having been duly given as provided, and upon funds sufficient for payment of the Prepayment Price of such Series 2021 Certificates being held by the Trustee,

on the Prepayment Date designated in such notice, the Series 2021 Certificates so called for prepayment shall become due and payable at the Prepayment Price specified in such notice and the Interest Portion of Basic Rent represented by the Series 2021 Certificates so called for prepayment shall cease to accrue, said Series 2021 Certificates shall cease to be entitled to any benefit or security under the Declaration of Trust and the Owners of such Series 2021 Certificates shall have no rights in respect thereof except to receive payments of the Prepayment Price.

Book-Entry Only System

General. The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2021 Certificates. The ownership of one fully registered Series 2021 Certificate for each maturity, as set forth on the inside cover of this Official Statement, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as the nominee for DTC. Ownership interests in the Series 2021 Certificates will be available to purchasers only through a book-entry system maintained by DTC (the “**Book-Entry System**”). A description of DTC, the Book-Entry System and definitions of initially capitalized terms used herein are found in “**APPENDIX D—BOOK-ENTRY SYSTEM**” to this Official Statement.

Risk Factors. Beneficial Owners of the Series 2021 Certificates may experience some delay in their receipt of distributions of the principal or redemption price of and interest on the Series 2021 Certificates because such distributions will be forwarded by the Registrar to DTC, credited by DTC to its Direct Participants, and then credited to the accounts of the Beneficial Owners either directly or indirectly through Indirect Participants.

Because transactions in the Series 2021 Certificates can only be effected through DTC, DTC Participants and certain banks, the ability of a Beneficial Owner to pledge Series 2021 Certificates to persons or entities that do not participate in the Book-Entry System, or otherwise to take actions in respect of such Series 2021 Certificates, may be limited due to the lack of physical certificates. Beneficial Owners will not be recognized by the Registrar as registered owners for purposes of the Ordinance, and Beneficial Owners will be permitted to exercise the rights of registered owners only indirectly through DTC and DTC Participants.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 CERTIFICATES

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

NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION

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

Section 13-519 provides that for all fiscal years beginning on or after July 1, 1998, no governmental unit (including the City) may adopt a budget containing a total of budgeted restricted funds more than the last prior year’s total of budgeted restricted funds plus allowable growth, plus a basic allowable growth percentage (initially 2½% until adjusted by the Legislature). Restricted funds generally include property taxes, excluding any amounts refunded to taxpayers, payments in lieu of property taxes, local option sales taxes, state aid, transfers of surpluses from any user fee, permit fee, or regulatory fee if the fee surplus is transferred to fund a service or function not directly related to the fee and the costs of the activity funded from the fee, any funds excluded from restricted funds for the prior year because they were budgeted for capital improvements but which were not spent and are not expected to be spent for capital improvements, and any excess tax collections returned to the county by a governmental unit as a result of overpayment due to clerical error or mistake. Allowable growth includes the percentage increase in taxable valuation in excess of the base limitation established under Section 77-3446, Reissue Revised Statutes of Nebraska, as amended, if any, due to improvements to real property as a result of new construction, additions to existing buildings, any improvements to real property which increase the value of such property and any increase in valuation due to annexation and any personal property valuation over the prior year. Such budget limitations may be exceeded by up to an additional 1% upon the affirmative vote of at least 75% of the governing body of the governmental unit, and larger increases are permitted with the approval of a majority of legal voters voting on the issue of such increase at a special election held for such purposes.

For the 2020-2021 fiscal year, the City was permitted to increase its appropriation of restricted funds under the budget limitations by 2.5%. Unused restricted fund authority from prior years can be carried over into future fiscal years to use in addition to the annual increases allowed. As of August 31, 2020, the City had accumulated \$8,775,179.32 of unused restricted funds authority which would be available for future fiscal years.

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

The City's total levy (excluding bond levy) for the current fiscal year is \$0.30291 per \$100 of taxable valuation, which is expected to produce \$72,697,587 in collected taxes.

ADDITIONAL CERTIFICATES

The Trustee may, at any time upon compliance with certain terms and conditions set forth in the Declaration of Trust, deliver Additional Certificates for any purpose specified in the Declaration of Trust. Any Additional Certificates will be equally and ratably secured by the Declaration of Trust on a parity with the Series 2012 Certificates, the Series 2016 Certificates and the Series 2021 Certificates. Concurrently with the delivery of any such Additional Certificates, the Trustee and the City shall deliver an amendment to the Lease obligating the City to make payments of principal thereof and interest thereon in amounts and at times sufficient to provide for the timely payment of principal of and interest on such Additional Certificates. See **“APPENDIX C—DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS—DECLARATION OF TRUST—Additional Certificates.”**

THE TRUSTEE

The Trustee is not liable for the payment of Basic Rent Payments, and the Owners have no right to look to the Trustee for any payments of the Series 2021 Certificates or for any other payments other than from funds held under the Declaration of Trust.

RISK FACTORS

An investment in the Certificates is subject to certain risks. No person should purchase the Series 2021 Certificates unless such person understands the risks described below and is willing to bear those risks. There may be other risks not listed below which may adversely affect the value of the Certificates. In order to identify risk factors and make an informed investment decision, potential investors should review this entire Official Statement (including the Appendices hereto) in order to make an investment decision.

Infectious Diseases. Recent events with the COVID-19 pandemic have shown that an outbreak of infectious disease can trigger governmentally imposed restrictions and changes in consumer behavior which could negatively impact local economic conditions. Such changes can cause unemployment rates to rise, taxable sales to decrease, delinquencies in tax payments, and other negative pressures on economic activity which could result in decreased or delayed tax collections for the City.

With respect to the COVID-19 pandemic, economic conditions have stabilized in the State and many restrictions have been lifted. The unemployment rate in the State and the Lincoln Metropolitan Statistical Area as of April 2020 was 8.7% and 9.3%, respectively, which were significant increases from the February 2020 unemployment rates of 3.0% and 2.6%, respectively. As of October 2020, the unemployment rate had improved in the State and Lincoln Metropolitan Statistical Area to 3.2% and 3.2%, respectively, and have remained at similar levels.

The City typically conducts a two-year biennial budget process. However, due to uncertainty during the COVID-19 pandemic, the City adopted an annual budget for fiscal year 2020-21. On June 14, 2021 Mayor Gaylor-Baird proposed another annual budget for fiscal year 2021-22 to complete the biennium. The 2022 budget is balanced. The primary revenue sources for the tax funded budget are property tax (33%) and sales tax (44%). Sales tax revenue is projected to increase 8.6% from the 2020-21 budgeted amount. The 2020-21 amount was 3.34% less than the prior year due to concerns about the impact of the

pandemic on sales tax receipts. Year to date sales tax collections are 13% over the budgeted amount. The average sales tax increase for the last ten years is 3.8%.

While conditions have improved, the unemployment rate and other economic indicators may worsen before the COVID-19 pandemic is over, and it is possible that the operations and finances of the City could be negatively impacted.

Inability to Liquidate. The enforceability of the Series 2021 Certificates and the Lease is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors rights generally and liens securing such rights, and the police powers of the State and its political subdivisions. The various and desperate parts and components of the Project have limited use and utility beyond their use by the City in its operations. Because of such limited use, and the delays inherent in obtaining the remedies involving such property, a potential purchaser of the Series 2021 Certificates should not anticipate that remedies could be accomplished rapidly, if at all. Any delays in the ability of the Trustee to exercise its remedies under the Lease or the Declaration of Trust may result in delays in payment of the Series 2021 Certificates or nonpayment of the Series 2021 Certificates.

Financial Condition of the City from Time to Time. No representation is made as to the future financial condition of the City. Certain risks discussed herein could adversely affect the financial condition or operations of the City in future.

Effects on the Tax Exemption of the Series 2021 Certificates Upon a Termination. Special Tax Counsel expresses no opinion with respect to the applicability of the registration requirements of the Securities Act of 1933, as amended to any Series 2021 Certificates in the event of a termination of the Lease by reason of an Event of Default. If the Lease is terminated by reason of such event, there is no assurance that the Series 2021 Certificates may be transferred by an Owner thereof without compliance with the registration provisions of the Securities Act of 1933, as amended, or the availability of an exemption therefrom.

Special Tax Counsel expresses no opinion as to the treatment for federal income tax purposes of any moneys received by an Owner of the Series 2021 Certificates other than payments by the City made pursuant to the Lease, upon an Event of Default. There can be no assurance that such moneys received by the Owners of the Series 2021 Certificates in such event will be excludable from gross income for federal income tax purposes.

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 Series 2021 Certificates. In the event the City becomes insolvent, the registered owners of the Series 2021 Certificates would 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 Series 2021 Certificates 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, 2020, and as discussed more fully in Footnotes 13 and 25 to the City's audited financial statements attached hereto, was 77.88%. 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 Laws Related to Budgets and Taxation. The Nebraska Legislature has taken actions designed to reduce the reliance of local governmental units on property taxation. For a discussion of such changes, see "NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION."

Cybersecurity. The City, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no assurances that any security and operational control measures implemented by the City will be completely successful to guard against and prevent cyber threats and attacks. Failure to properly maintain functionality, control, security, and integrity of the City's information systems could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant. Along with significant liability claims or regulatory penalties, any security breach could have a material adverse impact on the City's operations and financial condition.

Tax Matters and Loss of Tax Exemption. As discussed under the heading "TAX MATTERS," the interest on the Series 2021 Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Series 2021 Certificates, as a result of acts or omissions of the City in violation of its covenants related ongoing tax compliance for the Series 2021 Certificates. Should such an event of taxability occur, the Series 2021 Certificates would not be subject to a special prepayment and would remain outstanding until maturity or until prepaid under the prepayment provisions contained in the Series 2021 Certificates, and there is no provision for an adjustment of the interest rates on the Series 2021 Certificates. A determination of taxability on the Series 2021 Certificates, after closing of the Series 2021 Certificates, could materially adversely affect the value and marketability of the Series 2021 Certificates.

It is possible legislation will be proposed or introduced that could result in changes in the way that tax exemption is calculated, or whether interest on certain securities are exempt from taxation at all. Prospective purchasers should consult with their own tax advisors regarding any pending or proposed federal income tax legislation. The likelihood of legislation being enacted cannot be reliably predicted.

Pending Federal Tax Legislation. From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals pending in Congress that could, if enacted, alter or

amend one or more of the federal (or state) tax matters described herein in certain respects or would adversely affect the market value of the Series 2021 Certificates or otherwise prevent holders of the Series 2021 Certificates from realizing the full benefit of the tax exemption of interest on the Series 2021 Certificates. Further, such proposals may impact the marketability or market value of the Series 2021 Certificates simply by being proposed. It cannot be predicted whether or in what forms any of such proposals, either pending or that may be introduced, may be enacted and there can be no assurance that such proposals will not apply to the Series 2021 Certificates. In addition, regulatory actions are from time to time announced or proposed and litigation threatened or commenced, which if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Series 2021 Certificates. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2021 Certificates would be impacted thereby.

Suitability of Investment. The interest rate borne by the Series 2021 Certificates is intended to compensate the investor for assuming the risk of investing in the Series 2021 Certificates. Each prospective investor should carefully examine this Official Statement and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether the Series 2021 Certificates are an appropriate investment for such investor.

Secondary Market Not Established. There is no established secondary market for the Series 2021 Certificates, and there is no assurance a secondary market will develop for the purchase and sale of the Series 2021 Certificates. Prices of municipal bonds traded in the secondary market, if any, are subject to adjustment upward and downward in response to changes in the credit markets and changes in the operating performance of the entities operating the facilities subject to bonded indebtedness. From time to time it may be necessary to suspend indefinitely secondary market trading in selected issues of municipal bonds as a result of the financial condition or market position, prevailing market conditions, lack of adequate current financial information about the entity, operating the subject facilities, or a material adverse change in the operations of that entity, whether or not the subject bonds are in default as to principal and interest payments, and other factors which, may give rise to uncertainty concerning prudent secondary market practices.

Municipal bonds are generally viewed as long-term investments, subject to material unforeseen changes in the investor's circumstances, and may require commitment of the investor's funds for an indefinite period of time, perhaps until maturity.

EACH PROSPECTIVE PURCHASER IS RESPONSIBLE FOR ASSESSING THE MERITS AND RISKS OF AN INVESTMENT AND MUST BE ABLE TO BEAR THE ECONOMIC RISK OF SUCH INVESTMENT. THE SECONDARY MARKET FOR THE SERIES 2021 CERTIFICATES, IF ANY, COULD BE LIMITED.

Rating Loss. S&P Global Ratings ("S&P") has assigned a rating to the Series 2021 Certificates. See "RATING". Generally, rating agencies base their ratings on the information and materials furnished to them and on investigations, studies and assumptions of their own. There is no assurance that the rating will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of S&P, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Series 2021 Certificates.

Rating agencies are currently not regulated by any regulatory body. Future regulation of rating agencies could materially alter the methodology, rating levels, and types of ratings available, for example, and these changes, if ever, could materially affect the market value of the Series 2021 Certificates.

THE 2021 PROJECT

Description of the 2021 Project

The 2021 Project consists of snow removal equipment, street light poles and related equipment, golf course irrigation equipment and sidewalk improvements, and other items necessary to complete the installation of an aging development center and an air park recreational center in the City.

ESTIMATED SOURCES AND USES OF FUNDS

The sources and application of funds in connection with the execution of the Series 2021 Certificates, exclusive of accrued interest, are estimated, based upon certain assumptions regarding the investment of such funds, as follows:

Sources of Funds:

Par Amount of the Series 2021 Certificates	\$ 21,215,000.00
Net Aggregate Original Issue Premium	<u>3,276,149.75</u>
Total Sources of Funds	<u>\$ 24,491,149.75</u>

Applications of Funds:

Costs of Project	\$ 21,153,111.50
Refund Refunded Certificates	3,070,000.00
Costs of Issuance*	135,500.00
Underwriter's Discount	<u>132,538.25</u>
Total Applications of Funds	<u>\$ 24,491,149.75</u>

*Includes legal fees, municipal advisor fees, printing expenses and other miscellaneous expenses.

SCHEDULE OF LEASE PAYMENTS

The following table sets forth the scheduled amortization of the Series 2012 Certificates, the Series 2016 Certificates and the Series 2021 Certificates:

Period Ending <u>April 1,</u>	Series 2012 Certificates and Series 2016 Certificates		<u>Series 2021 Certificates</u>		
	Principal Portion	Interest Portion	Total	Total	Total
2022	\$ 874,481.26	\$ 1,900,000	\$ 701,324.20	\$ 2,601,324.20	\$ 3,475,805.46
2023	1,578,656.26	2,240,000	864,987.50	3,104,987.50	4,683,643.76
2024	1,360,556.26	2,255,000	752,987.50	3,007,987.50	4,368,543.76
2025	1,354,781.26	2,275,000	640,237.50	2,915,237.50	4,270,018.76
2026	1,345,381.26	2,290,000	526,487.50	2,816,487.50	4,161,868.76
2027	905,881.26	1,675,000	411,987.50	2,086,987.50	2,992,868.76
2028	892,206.26	1,695,000	328,237.50	2,023,237.50	2,915,443.76
2029	357,756.26	1,165,000	243,487.50	1,408,487.50	1,766,243.76
2030	360,637.50	1,185,000	185,237.50	1,370,237.50	1,730,875.00
2031	357,875.00	1,200,000	125,987.50	1,325,987.50	1,683,862.50
2032	-	530,000	77,987.50	607,987.50	607,987.50
2033	-	540,000	62,087.50	602,087.50	602,087.50
2034	-	555,000	45,887.50	600,887.50	600,887.50
2035	-	565,000	34,787.50	599,787.50	599,787.50
2036	-	580,000	23,487.50	603,487.50	603,487.50
2037	-	105,000	11,887.50	116,887.50	116,887.50
2038	-	110,000	9,787.50	119,787.50	119,787.50
2039	-	115,000	7,587.50	122,587.50	122,587.50
2040	-	115,000	5,143.76	120,143.76	120,143.76
2041	-	120,000	2,700.00	122,700.00	122,700.00
Totals	<u>\$9,388,212.58</u>	<u>\$21,215,000</u>	<u>\$5,062,305.46</u>	<u>\$26,277,305.46</u>	<u>\$35,665,518.04</u>

SUMMARY OF THE LEGAL DOCUMENTS

Attached hereto as **APPENDIX C** are summaries of certain provisions of the Lease and the Declaration of Trust, as well as certain defined terms used therein. The summaries do not purport to be complete, and reference is made to the full text of the Lease and the Declaration of Trust, respectively, for a complete recital of their terms, as well as a complete recital of the defined terms used therein. Copies of all documents relating to the Series 2021 Certificates can be obtained from the Trustee upon payment by such prospective purchaser requesting the same of the cost of complying with such request.

CONTINUING DISCLOSURE

The City has determined that no financial or operating data concerning the Trustee is material to an evaluation of the offering of the Series 2021 Certificates or to any decision to purchase, hold or sell the Series 2021 Certificates, and the City will not provide any such information. The City has no responsibility to any person with respect to the provision of any information about the Trustee.

The City is executing and delivering the Disclosure Certificate for the benefit of the Owners and Beneficial Owners of the Series 2021 Certificates and in order to assist the Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission (the “**Rule**”). The City is the only “obligated person” with responsibility for continuing disclosure.

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

Annual Reports

Pursuant to the Disclosure Certificate, the City shall, not later than **May 1** of each year, commencing May 1, 2022, provide to the Municipal Securities Rulemaking District (“**MSRB**”) the following financial information and operating data (the “**Annual Report**”):

(a) The audited financial statements of the City for the prior fiscal year, prepared in accordance with generally accepted accounting principles. If audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the Series 2021 Certificates, and the audited financial statements shall be filed in the same manner as the Annual Report promptly after they become available.

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

Material Event Notices

Pursuant to the Disclosure Certificate, not later than 10 business days after the occurrence of any of the following events, the City shall also give, or cause a dissemination agent to give, notice of the occurrence of any of the following events with respect to the Series 2021 Certificates (“**Material Events**”):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions; the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2021 Certificates, or other material events affecting the tax status of the Series 2021 Certificates;
- (7) modifications to rights of owners of the Series 2021 Certificates, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Series 2021 Certificates, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the City;
- (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of

- business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (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 the same manner as for a Material Event as described above.

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

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

Default. In the event of a failure of the City to comply with any provision of the Disclosure Certificate, any Owner or Beneficial Owner of the Series 2021 Certificates may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an Event of Default under the Lease Agreement or the Declaration of Trust, and the sole remedy under the Disclosure Certificate in the event of any failure of the City to comply with the Disclosure Certificate shall be an action to compel performance.

Termination. The City’s obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2021 Certificates. If the City’s obligations under the Disclosure Certificate are assumed in full by some other entity, such person shall be responsible for compliance with the Disclosure Certificate in the same manner as if it were the City, and the City shall have no further responsibility thereunder. If such substitution occurs prior to the final

maturity of the Series 2021 Certificates, the City shall give notice of such substitution in the same manner as for a Material Event as described above.

Electronic Municipal Market Access System (EMMA)

All Annual Reports and notices of Material Events required to be filed by the City or the dissemination agent pursuant to the Disclosure Certificate must be submitted to the MSRB through the MSRB's Electronic Municipal Market Access system ("EMMA"). EMMA is an internet-based, online portal for free investor access to municipal bond information, including offering documents, material event notices, real-time municipal securities trade prices and MSRB education resources, available at www.emma.msrb.org. Nothing contained on EMMA relating to the City or the Series 2021 Certificates is incorporated by reference in this Official Statement.

RATING

S&P Global Ratings has assigned the Series 2021 Certificates a rating of "AAA." Such rating reflects only the views of such organization, and an explanation of the significance of such rating may be obtained from Standard & Poor's Financial Services LLC, C/O McGraw Hill Financial, Inc., 55 Water Street, New York, New York, 10041, telephone (212) 438-2124.

Generally, a rating agency bases its rating on such information and materials and investigations, studies and assumptions furnished to and obtained and made by the rating agency. The rating is not a recommendation to purchase, sell or hold a security, inasmuch as it does not comment as to market price or suitability for a particular investor. There is no assurance that the above rating will remain for any given period of time or that it may not be lowered, suspended or withdrawn entirely by such rating agency if it deems circumstances are appropriate. Any downward change in, suspension or withdrawal of such rating may have an adverse effect on the market price of the Series 2021 Certificates.

LITIGATION

The Transcript of Proceedings will contain a certificate of non-litigation dated as of the closing date and executed by the City to the effect that there is no controversy, suit or proceeding of any kind pending or, to the knowledge of the City, threatened wherein or whereby any question is raised, or may be raised, questioning, disputing or affecting in any way the legal organization of the City, or the legality of any official act shown to have been done regarding the execution and delivery of the Lease or the Series 2021 Certificates or the constitutionality or validity of the obligation represented by the Series 2021 Certificates or the means provided for the Basic Rent Payments under the Lease.

TAX MATTERS

The following is a summary of the material federal and State of Nebraska income tax consequences of holding and disposing of the Series 2021 Certificates. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Series 2021 Certificates as a capital asset, tax-exempt

organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Nebraska, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Series 2021 Certificates in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Series 2021 Certificates.

Opinion of Special Tax Counsel

In the opinion of Gilmore & Bell, P.C., Special Tax Counsel to the City, under the law existing as of the issue date of the Series 2021 Certificates:

Federal and State of Nebraska Tax Exemption. The Interest Portion of Basic Rent Payments on the Series 2021 Certificates (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is exempt from income taxation by the State of Nebraska.

Alternative Minimum Tax. The Interest Portion of Basic Rent Payments on the Series 2021 Certificates is not an item of tax preference for purposes of computing the federal alternative minimum tax.

Bank Qualification. The Series 2021 Certificates have not been designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

Special Tax Counsel’s opinions are provided as of the date of the original issue of the Series 2021 Certificates, subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2021 Certificates in order that the Interest Portion of Basic Rent Payments be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of the Interest Portion of Basic Rent Payments on the Series 2021 Certificates in gross income for federal and Nebraska income tax purposes retroactive to the date of issuance of the Series 2021 Certificates. Special Tax Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2021 Certificates, but has reviewed the discussion under the heading “**TAX MATTERS.**”

Other Tax Consequences

Original Issue Discount. For federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a Series 2021 Certificate over its issue price. The stated redemption price at maturity of a Series 2021 Certificate is the sum of all payments on the Series 2021 Certificate other than “qualified stated interest” (*i.e.*, interest unconditionally payable at least annually at a single fixed rate). The issue price of a Series 2021 Certificate is generally the first price at which a substantial amount of the Series 2021 Certificates of that maturity have been sold to the public. Under Section 1288 of the Code, original issue discount on tax-exempt certificates accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Series 2021 Certificate during any accrual period generally equals (1) the issue price of that Series 2021 Certificate, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Series 2021 Certificate (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Series 2021 Certificate 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 excludable from gross income for federal income tax purposes, and will increase the owner’s tax basis in

that Series 2021 Certificate. 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 Series 2021 Certificate over its stated redemption price at maturity. The stated redemption price at maturity of a Series 2021 Certificate is the sum of all payments on the Series 2021 Certificate other than “qualified stated interest” (*i.e.*, interest unconditionally payable at least annually at a single fixed rate). The issue price of a Series 2021 Certificate is generally the first price at which a substantial amount of the Series 2021 Certificates of that maturity have been sold to the public. Under Section 171 of the Code, premium on tax-exempt certificates amortizes over the term of the Series 2021 Certificate using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the Series 2021 Certificate and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner, which will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Series 2021 Certificate prior to its maturity. Even though the owner’s basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of certificate premium.

Sale, Exchange or Retirement of Series 2021 Certificates. Upon the sale, exchange or retirement (including redemption) of a Series 2021 Certificate, an owner of the Series 2021 Certificate generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property actually or constructively received on the sale, exchange or retirement of the Series 2021 Certificate (other than in respect of accrued and unpaid interest) and such owner’s adjusted tax basis in the Series 2021 Certificate. To the extent a Series 2021 Certificate is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Series 2021 Certificate has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the Series 2021 Certificates, and to the proceeds paid on the sale of the Series 2021 Certificates, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner’s federal income tax liability.

Collateral Federal Income Tax Consequences. Prospective purchasers of the Series 2021 Certificates should be aware that ownership of the Series 2021 Certificates may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2021 Certificates. Special Tax Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2021 Certificates should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Series 2021 Certificates, including the possible application of state, local, foreign and other tax laws.

LEGAL MATTERS

All legal matters incident to the authorization, execution and delivery of the Series 2021 Certificates are subject to the approval of legality by Special Tax Counsel. Special Tax Counsel has participated in the preparation of this Official Statement but the factual and financial information appearing herein has been supplied or reviewed by the City, its officials and counsel. Certain legal matters will be passed upon for the City by its counsel, Yohance Christie, City Attorney, Lincoln, Nebraska.

MUNICIPAL ADVISOR

PFM Financial Advisors LLC, Des Moines, Iowa, is serving as municipal advisor to the City with respect to the Series 2021 Certificates. The municipal advisor has assisted the City in the preparation of this Official Statement and in other matters relating to the issuance of the Series 2021 Certificates and provided other financial advice regarding the City's financial plan. PFM Financial Advisors LLC is a financial and investment advisory and consulting organization and is not engaged in the underwriting, marketing or trading of municipal securities or other negotiable instruments.

ADDITIONAL INFORMATION

Additional information with respect to the City and the Series 2021 Certificates may be obtained upon request from the City.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the City and Series 2021 Certificate Owners.

This Official Statement has been approved by the City and is submitted only in connection with the sale of the Series 2021 Certificates and may not be reproduced or used in whole or in part for any other purpose.

* * * * *

APPENDIX A

THE CITY OF LINCOLN, NEBRASKA

THE CITY OF LINCOLN

General

Lincoln, the capital of Nebraska, is located in southeastern Nebraska near the center of population of the state. The City was originally incorporated in 1869. It is approximately midway between Chicago and Denver. It has an area of 100 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 2020 population is 289,102.

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 7,747 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 4 miles from downtown and has daily departures to Chicago, Denver, Minneapolis, and Atlanta. Eppley Airfield, located in east Omaha, is 50 miles 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 25,057 students, Nebraska Wesleyan University, with approximately 2,100 students, Union College, with approximately 764 students, Purdue Global University, with approximately 600 students, Bryan LGH College of Health Sciences with approximately 790 students, and Southeast Community College, with approximately 8,719 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 41,000 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

PROPERTY VALUE AND CONSTRUCTION LAST TEN YEARS

FISCAL YEAR	COMMERCIAL ¹ CONSTRUCTION		RESIDENTIAL ¹ CONSTRUCTION		PROPERTY VALUE ²		TOTALS
	# PERMITS	VALUE	# PERMITS	VALUE	COMMERCIAL	RESIDENTIAL	
2020	852	\$ 278,467,784	2,128	\$ 404,061,832	\$ 6,349,850,359	\$ 15,805,225,977	\$ 22,155,076,336
2019	986	585,746,852	2,380	292,365,215	6,278,422,408	14,354,319,521	20,632,741,929
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

¹ City of Lincoln, Building and Safety Department.

² Lancaster County Assessor.

Police and Fire Protection

Lincoln has fourteen fire stations manned by 288 firefighters and three police stations with 346 police officers.

City Employee Information

For the 2020-2021 fiscal year, contracts have been signed with all 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 2022 and ATU, LMCEA, PAGE, IAF and LCEA contracts will expire at the end of August 2021.

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, 2020		NOVEMBER 30, 2020	
	Number Employed	Percent of Total	Number Employed	Percent of Total
Industry Manufacturing:				
Durable Goods	8,610	4.7	8,918	4.5
Nondurable Goods	4,690	2.5	4,801	2.5
Total Industry Manufacturing	13,300	7.2	13,719	7.0
Nonmanufacturing:				
Natural Resource & Construction	9,978	5.4	9,607	4.9
Transportation, Warehousing & Utilities	10,813	5.9	11,452	5.9
Wholesale Trade	4,301	2.3	4,292	2.2
Retail Trade	16,216	8.8	17,792	9.2
Information	3,189	1.7	3,209	1.7
Finance, Insurance & Real Estate	13,248	7.2	13,550	7.0
Services (except domestic)	73,655	39.9	79,685	41.0
Government	39,794	21.6	40,912	21.1
Total Nonmanufacturing	171,194	92.8	180,499	93.0
TOTAL	184,494	100.0	194,218	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 Schneider Electric.

As of December 2020, the unemployment rate in Lincoln was 2.9%, among the lowest unemployment rates in the United States.

LINCOLN SMSA (LANCASTER COUNTY LABOR FORCE DATA 2020-2011) (For the Calendar Year Indicated)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Civilian Labor Force	188,745	186,998	184,089	178,854	177,616	176,130	176,594	177,962	176,563	172,923
Unemployment	5,451	4,385	4,574	4,661	4,920	4,668	5,279	6,176	6,366	6,902
Percent of Labor Force	2.9	2.3	2.5	2.6	2.8	2.7	3.0	3.5	3.6	4.0
Employment ¹	183,294	182,613	179,515	174,193	172,696	171,462	171,315	171,786	170,197	166,021

STATE OF NEBRASKA

Percent of Labor Force

Unemployment ¹	2.8	2.7	2.8	2.9	3.1	3.0	3.3	3.8	4.0	4.4
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Source: State of Nebraska, Department of Labor

¹ 2020 Preliminary

**LINCOLN PRINCIPAL EMPLOYERS
CURRENT YEAR**

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
State of Nebraska	9,776	1	5.03 %
Lincoln Public Schools	8,204	2	4.22
University of Nebraska-Lincoln	6,315	3	3.25
Bryan Health	3,500	5	1.80
US Government	3,463	4	1.78
City of Lincoln	2,679	6	1.38
Saint Elizabeth Regional Medical Center	2,300	7	1.18
Burlington Northern Railroad	2,000	8	1.03
Madonna Rehabilitation Hospital	1,500	9	0.77
Duncan Aviation	1,200	10	0.62
Total	<u>40,937</u>		<u>21.06 %</u>

**DEMOGRAPHIC STATISTICS
LAST TEN YEARS**

<u>Year</u>	<u>Population ¹</u>	<u>Per Capita Personal Income ²</u>	<u>School Enrollment ³</u>
2020	289,102	\$	41,674
2019	287,401	50,833	42,258
2018	284,736	49,886	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

Sources:

¹ U.S. Bureau of the Census, population estimates.

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

Per Capital Income is based on Lincoln Metropolitan Statistical Area, which includes all of Lancaster and Seward Counties. Per Capita Income for 2020 is unavailable.

³ Lincoln Public Schools.

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

**LINCOLN UTILITY CUSTOMERS
LAST TEN YEARS**

<u>Year</u>	<u>Water Customers</u>	<u>Gas Customers</u>	<u>Electricity Customers</u>
2020	86,736	100,288	141,658
2019	85,460	99,421	140,034
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

Source: Indicated Utility Companies



SELECTED FINANCIAL STATISTICS

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION ¹ LAST TEN FISCAL YEARS

Fiscal Year	General Government	Public Safety	Streets And Highways	Culture And Recreation	Economic Opportunity	Health And Welfare	Mass Transit	Debt Service	Totals
2020 \$	66,488,738	89,394,116	28,058,815	25,807,794	3,085,972	32,757,648	20,340,337	53,259,012	319,192,432
2019	61,932,785	88,641,405	28,872,044	33,703,112	13,771,289	22,527,910	18,867,231	44,573,054	312,888,830
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

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

GENERAL GOVERNMENTAL REVENUES BY SOURCE ¹ LAST TEN FISCAL YEARS

Fiscal Year	Taxes And Special Assessment	Inter-Governmental	Permits And Fees	Reimbursement For Services	Investment Earnings	Other	Totals
2020 \$	232,387,576	72,330,346	24,371,734	17,329,391	7,821,284	11,175,430	365,415,761
2019	215,533,782	70,773,739	26,301,490	18,074,725	8,009,926	11,230,362	349,924,024
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

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

**SPECIAL ASSESSMENT COLLECTIONS
LAST TEN YEARS¹**

Fiscal Year Ended <u>August 31</u>	Special Assessment Collections <u>Including Interest</u>
2020	\$ 1,422,630
2019	1,622,878
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

¹ Special assessment collections are not tracked by levy year, therefore the portion of collections during any year that apply to any 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 2020 tax levy for the 2020-2021 fiscal year is \$187,245,017 below the legal limit, a tax rate per \$100 valuation of .31980. The assessed value upon which the 2020 levy is based is \$23,999,731,796. By charter, only 90% of the property tax levy may be appropriated.

For the 2020-2021 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 2020-2021 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 3.5%. An additional 1% can be authorized by a 75% vote of the City Council and was utilized for the 2020-2021 budget. The 2020-2021 budget is \$8,775,179 below the state-imposed lid limit.

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

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

Fiscal Year Ended August 31	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Accumulated Collections As Of August 31, 2020	
		Amount	Percent	Amount	Percent
2020	\$ 74,373,669	\$ 72,577,018	97.58 %	\$ 72,577,018	97.58 %
2019	68,475,360	66,842,290	97.62	68,410,430	99.91
2018	64,820,459	63,903,976	98.59	64,820,439	100.00
2017	62,977,104	61,735,542	98.03	62,977,061	100.00
2016	58,944,563	57,685,951	97.86	58,923,184	99.96
2015	55,459,815	54,235,009	97.79	55,440,267	99.96
2014	53,880,835	52,616,370	97.65	53,868,289	99.98
2013	52,460,687	51,226,109	97.65	52,435,843	99.95
2012	50,168,325	48,788,943	97.25	50,151,243	99.97
2011	45,597,936	44,206,917	96.95	45,568,559	99.94

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	2020 Assessed Valuations	Percentage Of Total Assessed Valuation
B & J Partnership Ltd.	Building Management	\$ 174,687,900	0.75%
Burlington Northern	Railroad	131,520,737	0.57%
Allo Communications LLC	Communication	129,323,242	0.56%
Nebco	Construction/Development	81,029,370	0.35%
RED Capital Management	Retail Management	66,312,800	0.29%
Ameritas Life Insurance Corp	Insurance	62,307,049	0.27%
Kawasaki	Manufacturing	58,740,111	0.25%
WEA Gateway LLC	Retail Management	57,709,200	0.25%
Windstream	Telecommunications	55,089,770	0.24%
BVCEAI Lincoln I Apartments LLC	Real Estate Development	46,372,800	0.20%
		<u>\$ 863,092,979</u>	<u>3.73%</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 two- and one-half percent (2.5%) for their service. The City has had a sales tax since 1969.

SALES AND USE TAX COLLECTIONS LAST TEN YEARS

Year Ended August 31	Amount
2020	\$ 80,343,337
2019	78,563,436
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

GENERAL FUND TAX COLLECTIONS LAST TEN YEARS

Fiscal Year	Property and Motor Vehicle Taxes	Sales and Use Taxes	Sundry Taxes	Taxes In Lieu	Occupation Taxes	Total
2020	\$ 55,648,747	\$ 80,343,337	\$ 30,791	\$ 2,248,961	\$ 8,128,463	\$ 146,400,299
2019	50,054,765	78,563,436	40,315	2,300,935	8,420,903	139,380,353
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

TAXABLE ASSESSED VALUATION
LAST TEN YEARS¹

Fiscal Year Ended August 31,	Real Estate	All Other	Total
2020	\$ 22,155,576,336	\$ 1,111,587,131	\$ 23,267,163,467
2019	20,632,741,929	1,037,615,147	21,670,357,076
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

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

TOTAL PROPERTY TAX LEVIES
ALL OVERLAPPING GOVERNMENTS
LAST TEN YEARS¹

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
City of Lincoln	0.3198	0.3165	0.3165	0.3337	0.3196	0.3196	0.3158	0.3158	0.3158	0.2879
School District No. 1	1.2222	1.2241	1.2389	1.2397	1.2429	1.2434	1.2441	1.2447	1.2461	1.2462
Lancaster County	0.2816	0.2666	0.2666	0.2753	0.2783	0.2813	0.2813	0.2843	0.2683	0.2683
Educational Service Unit #18	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0145
Community Technical College	0.0937	0.0907	0.0907	0.0752	0.0757	0.0598	0.0667	0.0627	0.0627	0.0600
Lower Platte South Natural Res. Dist.	0.0309	0.0312	0.0321	0.0335	0.0345	0.0358	0.0361	0.0378	0.0398	0.0406
Lancaster County Correctional JPA City	0.0093	0.0110	0.0141	0.0153	0.0156	0.0168	0.0172	0.0177	0.0185	0.0189
Lancaster County Correctional JPA County	0.0070	0.0075	0.0079	0.0085	0.0088	0.0094	0.0096	0.0099	0.0105	0.0106
Railroad Transportation Safety Dist.	0.0147	0.0222	0.0222	0.0190	0.0160	0.0130	0.0130	0.0100	0.0260	0.0260
Agricultural Society of Lancaster County	0.0014	0.0014	0.0014	0.0015	0.0015	0.0015	0.0015	0.0015	0.0016	0.0017
Lancaster County Fairgrounds	0.0025	0.0028	0.0028	0.0030	0.0031	0.0033	0.0034	0.0037	0.0037	0.0038
Public Building Commission	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0167	0.0170	0.0170
	<u>2.0151</u>	<u>2.0060</u>	<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>

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

DEBT MANAGEMENT

OUTSTANDING INDEBTEDNESS AS OF AUGUST 31, 2020

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

Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
General Obligation Bonds:							
General Bonds:							
8,090	06/26/12	Refunding	1.000 - 3.000	Serial 2013 to 2023	-	Semiannually	1,960
6,385	03/20/13	Stormwater Bonds	2.000 - 4.000	Serial 2014 to 2029	2023	"	4,225
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	-	"	3,025
6,300	06/28/16	Stormwater Bonds	2.000 - 3.000	Serial 2017 to 2036	2026	"	5,470
4,345	09/20/17	Stormwater Refunding Bonds	2.000 - 5.000	Serial 2018 to 2027	-	"	3,310
9,900	08/08/19	Stormwater Bonds	2.750 - 5.000	Serial 2019 to 2039	2029	"	9,900
4,140	08/20/20	Stormwater Refunding Bonds	5.00	Serial 2021 to 2030	-	"	4,140
Total General Bonds							<u>\$ 33,545</u>
Tax Allocation Bonds:							
601	06/01/07	Tax Allocation Bonds	5.240	Serial 2008 to 2018	Anytime	Semiannually	342
42	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2021	Anytime	"	4
71	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2017	Anytime	"	12
547	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	101
200	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	29
3,375	07/28/09	Tax Allocation Bonds	2.500 - 6.400	Serial 2011 to 2023	Anytime	"	1,275
263	04/01/11	Tax Allocation Bonds	3.990	Serial 2011 to 2022	Anytime	"	61
103	04/15/13	Tax Allocation Bonds	2.370	Serial 2013 to 2025	Anytime	"	45
140	07/01/16	Tax Allocation Bonds	2.200	Serial 2016 to 2028	Anytime	"	99
600	12/01/16	Tax Allocation Bonds	2.300	Serial 2018 to 2021	Anytime	"	235
110	05/01/17	Tax Allocation Bonds	2.740	Serial 2018 to 2024	Anytime	"	71
128	03/15/19	Tax Allocation Bonds	3.090	Serial 2020 to 2034	Anytime	"	127
Total Tax Allocation Bonds							<u>\$ 2,401</u>
Tax Supported Bonds:							
28,095	06/06/12	Highway Allocation Fund Refunding	1.000 - 5.000	Serial 2012 to 2023	-	Semiannually	11,220
14,735	12/15/16	Highway Allocation Fund Refunding	2.000 - 5.000	Serial 2018 to 2027	2026	"	10,790
21,765	08/20/20	Limited Tax Arena Bonds	.200-3.000	Serial 2021 to 2037	2030	"	21,765
Total Tax Supported Bonds							<u>\$ 43,775</u>
Special Assessment Bonds:							
825	08/18/11	Special Assessment	0.400 - 3.700	Serial 2012 to 2026	2016	Semiannually	365
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	"	1,835
Total Special Assessment Bonds							<u>\$ 2,575</u>
West Haymarket Joint Public Agency							
31,515	09/08/10	Facility Bonds Taxable Build America Bonds	3.500 - 4.45	Serial 2020 to 2030	Anytime	Semiannually	31,515
68,485	09/08/10	Facility Bonds Taxable Build America Bonds	4.750 / 5.000	Term 2035 & 2045	Anytime	"	68,485
15,785	12/01/10	Facility Bonds Taxable Build America Bonds	4.000 - 5.000	Serial 2020 - 2025	Anytime	"	15,785
52,180	12/01/10	Facility Bonds Taxable Build America Bonds	5.400 / 5.800 / 6.000	Term 2030 2035 2039	Anytime	"	52,180
32,035	12/01/10	Recovery Zone Economic Development	6.750	Term 2045	Anytime	"	32,035
20,850	12/04/13	Facility Bonds	2.000 - 5.000	Serial 2014 to 2038	2023	"	17,470
7,325	12/04/13	Facility Bonds	4.500	Term 2043	2023	"	7,325
88,270	11/21/19	Facility Bonds Refunding Bonds	2.375-3.050	Serial 2022 to 2040	2029	"	88,270
55,710	11/21/19	Facility Bonds Refunding Bonds	3.250	Term 2042	2029	"	11,730
Total West Haymarket Joint Public Agency							<u>\$ 324,795</u>
TOTAL GENERAL OBLIGATION BONDS							<u>\$ 407,091</u>
Revenue Bonds:							
38,290	05/24/12	Wastewater Revenue Refunding	1.000 - 5.000	Serial 2013 to 2028	2023	Semiannually	\$ 21,000
12,220	04/09/15	Wastewater Revenue Refunding	1.000 - 4.000	Serial 2016 to 2030	2025	"	8,605
13,235	09/13/17	Wastewater Revenue Refunding	2.000 - 5.000	Serial 2018 to 2032	2027	"	11,345
20,120	07/24/19	Wastewater Revenue Refunding	2.000 - 5.000	Serial 2020 to 2040	2029	"	19,420
2,760	07/24/19	Wastewater Revenue Refunding	3.00	Term 2042	2029	"	2,760
2,925	07/24/19	Wastewater Revenue Refunding	3.00	Serial 2043 to 2044	2029	"	2,925
Total Wastewater Bonds							<u>\$ 66,055</u>
10,895	06/21/12	Water Revenue Refunding	1.000 - 4.000	Serial 2013 to 2022	N/A	Semiannually	2,215
28,595	05/30/13	Water Revenue Refunding	1.000 - 5.000	Serial 2013 to 2025	2023	"	12,610
10,170	08/20/19	Water Revenue Refunding	2.750 - 5.000	Serial 2020 to 2039	2029	"	9,705
Total Water Bonds							<u>\$ 24,530</u>
48,375	07/11/19	General Obligation Parking System and Refunding Bonds	2.300 - 3.000	Serial 2020 to 2035	2029	Semiannually	39,405
Total Parking Bonds							<u>\$ 6,655</u>
8,340	02/26/13	Solid Waste Management Revenue and Refunding	.250 - 4.000	Serial 2013 to 2029	2023	Semiannually	3,895
5,520	07/08/15	Solid Waste Management Revenue	2.000 - 5.000	Serial 2016 to 2035	2025	"	\$ 4,370
Total Solid Waste Management Bonds							<u>\$ 8,265</u>
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	"	118,475
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	"	65,960
121,205	07/01/18	Electric Revenue Bonds	3.000 - 5.000	Serial 2025 to 2034	2027	"	121,205
Total Electric Bonds							<u>\$ 640,045</u>
TOTAL REVENUE BONDS							<u>\$ 784,955</u>

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

Governmental Activities						
Fiscal Year Ended August 31	General Obligation Bonds		Note from Direct Borrowing		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 14,471	16,952	130	39	4,809	893
2022	14,737	16,537	132	36	4,862	746
2023	19,231	15,885	135	33	4,258	600
2024	18,636	15,136	137	31	4,390	460
2025	15,915	14,466	140	28	3,360	313
2026 - 2030	75,947	63,222	744	97	7,780	415
2031 - 2035	77,819	48,559	567	23	400	8
2036- 2040	82,900	32,090	-	-	-	-
2041 - 2045	75,725	12,762	-	-	-	-
2046 - 2050	11,710	344	-	-	-	-
Total	\$ 407,091	235,953	1,985	287	29,859	3,435

Business-Type Activities						
Fiscal Year Ended August 31	Revenue Bonds		Loans/Note from Direct Borrowing		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 40,700	32,939	1,883	601	449	25
2022	42,195	31,087	1,923	560	346	16
2023	43,050	29,241	1,964	519	139	9
2024	45,010	27,254	2,006	477	143	5
2025	46,195	25,557	2,049	434	61	1
2026 - 2030	221,890	100,227	10,925	1,493	-	-
2031 - 2035	238,415	53,625	7,574	349	-	-
2036- 2040	87,710	13,298	-	-	-	-
2041 - 2045	19,790	997	-	-	-	-
Total	\$ 784,955	314,225	28,324	4,433	1,138	56

Major Enterprise Funds						
Fiscal Year Ended August 31	Wastewater System		Water System		Electric System	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 5,758	2,784	4,866	1,176	28,615	28,039
2022	5,939	2,594	4,702	1,013	30,045	26,608
2023	6,146	2,382	3,862	857	31,455	25,201
2024	6,353	2,154	3,994	736	33,020	23,636
2025	6,575	1,916	3,620	583	34,250	22,404
2026 - 2030	29,332	6,003	7,482	1,718	175,955	90,070
2031 - 2035	11,464	2,610	7,000	456	217,770	49,081
2036- 2040	6,225	1,424	-	-	74,830	11,367
2041 - 2045	5,685	433	-	-	14,105	564
Total	\$ 83,477	22,300	35,526	6,539	640,045	276,970

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 \$2,447,999, \$3,379,238, \$1,168,310, and \$342,628 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, streetlights, 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:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Land	\$ 1,780,066	\$ 199,546
Buildings	28,996,161	1,647,945
Improvements	5,070,465	-
Infrastructure	33,552,416	-
Machinery and Equipment	10,988,333	3,293,849
Construction In Progress	-	-
Less Accumulated Depreciation, (where applicable)	<u>(25,618,098)</u>	<u>(2,787,426)</u>
Total	<u>\$ 54,769,343</u>	<u>\$ 2,353,914</u>

Under the City's Home Rule Charter, there is no legal debt limit. The various bond indentures contain significant limitations and restrictions on annual debt service requirements, minimum amounts to be maintained in various bond reserve funds, and minimum revenue bond 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, 2020, is summarized below (unaudited):

<u>Governmental Units</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Direct And Overlapping Debt To The City</u>
Direct:			
City	\$ <u>452,601,000</u>	100.0 %	\$ <u>452,601,000</u>
Overlapping:			
School District #1	526,467,134	99.5	523,835,000
Public Building Commission	27,600,000	85.4	23,570,000
Lancaster County Correctional Facility	30,890,000	85.4	26,380,000
Lancaster County Fairgrounds	<u>7,365,000</u>	85.4	<u>6,290,000</u>
	<u>592,322,134</u>		<u>580,075,000</u>
Total	<u>\$ 1,044,923,134</u>		<u>\$ 1,032,676,000</u>

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 \$1,565.54; a per capita direct and overlapping debt of \$3,572.01; a ratio of direct City debt to 2020 actual valuation of 1.95 percent; and a ratio of direct and overlapping debt to 2020 actual valuation of 4.44 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, 2020, the Airport Authority had outstanding \$46,375,000 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 ²	Total Debt Service	Total General Governmental ¹ Expenditures	Ratio Of Debt Service To Total General Expenditures
2020	\$ 11,867,214	\$ 3,377,738	\$ 15,244,952	\$ 319,192,432	4.78%
2019	10,315,005	3,358,108	13,673,113	312,888,830	4.37%
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%

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

² Does not include fiscal and miscellaneous charges.

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

Fiscal Year	General Obligation Bonded Debt	Sinking Funds	Net General Obligation Bonded Debt	Population ¹	Net G.O. Bonded Debt Per Capita	Assessed Valuation Real And Personal	Ratio of Net Debt To Assessed Valuation Real & Personal ²	Assessed Valuation Of Taxable Real Property ²	Ratio of Net Debt To Estimated Valuation Of Taxable Real Property
2020	\$ 82,296,000	\$ 6,680,000	\$ 75,616,000	289,102	\$ 261.55	\$ 23,267,163,467	0.32%	\$ 22,155,576,336	0.34%
2019	93,749,000	8,230,000	85,519,000	287,401	297.56	21,670,357,076	0.39%	20,632,741,929	0.41%
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%

¹ Source: U.S. Bureau of the Census, population estimates.

² Assessed valuation is 100% of actual

**REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS**

			Direct	Net	Debt Service Requirements			
		Gross	Operating	Available				
		Revenue	Expenses	Revenue	Principal	Interest	Total	Coverage
<u>Wastewater System</u>								
2020	\$	34,202,886	17,049,907	17,152,979	5,667,004	2,860,124	8,527,128	2.01
2019		33,903,796	15,684,880	18,218,916	4,858,054	2,164,027	7,022,081	2.59
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
<u>Water System</u>								
2020	\$	44,192,982	19,434,182	24,758,800	4,681,388	1,488,760	6,170,148	4.01
2019		41,761,560	18,186,821	23,574,739	4,636,755	1,763,603	6,400,358	3.68
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
<u>Parking Facilities</u>								
2020	\$	13,401,784	5,042,333	8,359,451	2,315,000	1,433,544	3,748,544	2.23
2019		13,738,594	5,315,077	8,423,517	1,380,000	1,025,065	2,405,065	3.50
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
<u>Solid Waste Management</u>								
2020	\$	14,237,210	10,871,529	3,365,681	830,000	327,084	1,157,084	2.91
2019		12,860,596	9,512,437	3,348,159	810,000	348,896	1,158,896	2.89
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

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

	<i>Fiscal Year</i>									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Cash & Investment Balance - September 1 of Year Indicated \$	42,032,717	\$ 44,336,245	\$ 40,447,532	38,315,059	36,190,807	32,471,866	25,932,021	22,789,222	16,942,409	14,597,487
Receipts:										
Property Tax	55,648,747	50,054,765	46,009,808	42,669,103	40,564,330	37,333,435	37,428,736	34,599,257	33,574,992	31,449,267
City Sales & Use Tax	80,343,337	78,563,436	76,812,830	75,259,945	71,621,717	68,861,600	66,393,392	63,134,808	61,472,342	57,959,545
Other Income	38,283,948	38,650,878	38,470,133	37,291,708	37,383,280	38,281,650	36,929,588	36,298,994	36,542,477	33,232,580
Total Receipts	174,276,032	167,269,079	161,292,771	155,220,756	149,569,327	144,476,685	140,751,716	134,033,059	131,589,811	122,641,392
Less Disbursements	171,038,490	169,572,607	157,404,058	153,088,283	147,445,075	140,757,744	134,211,871	130,890,260	125,742,998	120,296,470
Cash & Investment Balance - August 31 of Year Indicated \$	<u>45,270,259</u>	<u>\$ 42,032,717</u>	<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>

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Cash Balance - September 1 of Year Indicated \$	3,289,948	3,892,886	3,663,200	3,361,571	3,572,272	3,561,702	3,883,237	3,929,968	2,234,981	2,941,245
Receipts:										
Property Tax	5,844,422	4,936,360	6,370,523	6,298,844	5,829,094	6,214,882	5,558,081	5,594,005	5,773,392	5,337,610
Interest Income	35,695	47,528	22,655	12,163	9,711	8,214	10,126	8,507	13,723	28,331
Bond Proceeds	5,186,389		5,016,382			6,092,475			8,369,497	20,236,484
Other Income	1,302,722	3,175	6,135	3,769	98,043	119,376	98,027	104,162	110,962	116,758
Total Receipts	12,369,228	4,987,063	11,415,695	6,314,776	5,936,848	12,434,947	5,666,234	5,706,674	14,267,574	25,719,183
Disbursements:										
Bonds Paid	6,150,000	4,490,000	4,775,000	4,590,000	4,730,000	4,355,000	4,240,000	4,225,000	2,390,000	2,720,000
Bonds Defeased										
Interest Paid	1,296,965	1,095,220	1,170,162	1,420,473	1,414,275	1,500,213	1,745,495	1,521,904	1,822,197	1,753,957
Transfer to Trustee	5,130,000		4,956,976			5,990,206			8,242,367	21,746,822
Other Disbursements	101,423	4,781	283,871	2,674	3,274	578,958	2,274	6,501	118,023	204,668
Total Disbursements	12,678,388	5,590,001	11,186,009	6,013,147	6,147,549	12,424,377	5,987,769	5,753,405	12,572,587	26,425,447
Cash Balance - August 31 of Year Indicated \$	2,980,788	3,289,948	3,892,886	3,663,200	3,361,571	3,572,272	3,561,702	3,883,237	3,929,968	2,234,981

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Cash & Investment Balance - September 1 of Year Indicated	\$ 2,310,676	\$ 2,581,022	\$ 2,768,599	2,195,823	2,133,866	2,619,720	2,509,487	2,348,773	759,180	4,302,257
Receipts:										
Special Assessment Collections	1,293,247	1,438,699	1,429,730	1,497,442	1,420,191	1,394,764	1,521,959	941,365	1,049,570	996,209
Interest on Special Assessments	127,529	166,149	165,098	180,258	161,882	193,995	53,761	78,642	98,844	106,379
City's Share of Costs	1,849,950	2,074,213	1,039,944	1,422,840	1,509,919	901,883	783,436	1,205,443	621,898	233,615
Developers' Share of Costs										
Bond Proceeds									3,036,003	1,200,000
Interest on Investments	38,939	50,283	34,326	21,763	18,537	19,392	40,673	41,212	47,349	60,248
Miscellaneous				301,716	188,457	82,000	733			38,456
Total Receipts	<u>3,309,665</u>	<u>3,729,344</u>	<u>2,669,098</u>	<u>3,424,019</u>	<u>3,298,986</u>	<u>2,592,034</u>	<u>2,400,562</u>	<u>2,266,662</u>	<u>4,853,664</u>	<u>2,634,907</u>
Disbursements:										
Construction Costs	1,653,095	1,610,160	1,500,618	1,294,057	1,829,379	1,880,449	1,213,770	901,811	2,359,096	2,081,765
Bonds Paid	190,000	190,000	180,000	180,000	175,000	175,000	175,000	170,000	190,000	
Equity Transfer										
Interest Paid on Bonds & Notes	91,725	95,773	99,448	102,923	106,123	109,122	112,023	114,722	94,911	3,758,342
Other Refunds & Expenses	<u>3,154,113</u>	<u>2,103,758</u>	<u>1,076,609</u>	<u>1,274,263</u>	<u>1,126,527</u>	<u>913,317</u>	<u>789,536</u>	<u>919,415</u>	<u>620,064</u>	<u>337,877</u>
Total Disbursements	<u>5,088,933</u>	<u>3,999,691</u>	<u>2,856,675</u>	<u>2,851,243</u>	<u>3,237,029</u>	<u>3,077,888</u>	<u>2,290,329</u>	<u>2,105,948</u>	<u>3,264,071</u>	<u>6,177,984</u>
Cash & Investment Balance - August 31 of Year Indicated	<u>\$ 531,408</u>	<u>2,310,676</u>	<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>

APPENDIX B

**FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR
ENDED AUGUST 31, 2020, TOGETHER WITH AUDITOR'S REPORT THEREON**



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Fiscal Year Ended August 31, 2020



On the cover:

The State Capitol building is suffused in blue in honor of Lincoln Police Investigator Mario Herrera. Investigator Herrera was shot while attempting to apprehend a person connected to a homicide and died of his wounds in September, 2020. The City of Lincoln honors his sacrifice and the selfless commitment of all our law enforcement officers for providing quality services that promote a safe and secure community for all Lincoln residents.

Cover artwork based on a photograph provided by Lincoln resident Mandy McCrady

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**OF THE
CITY OF LINCOLN, NEBRASKA**

FOR THE FISCAL YEAR ENDED AUGUST 31, 2020

Prepared by:

The Accounting Division of the Finance Department

Dedicated to Jane Tillman

Retiring Assistant City Controller – April 2021
In gratitude for 40 years of service to City of Lincoln

INTRODUCTORY SECTION

OFFICIALS OF THE CITY OF LINCOLN

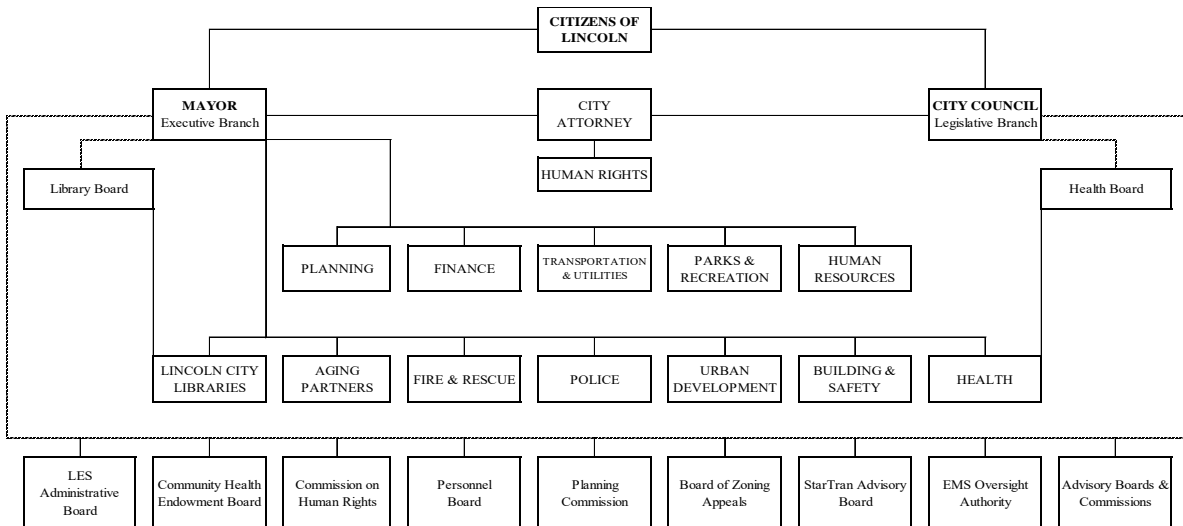
Leirion Gaylor Baird	Mayor
Richard Meginnis	Chair, City Council
James Michael Bowers	Vice Chair, City Council
Roy Christensen	Council Member
Jane Raybould	Council Member
Bennie Shobe	Council Member
Tammy Ward	Council Member
Sandra Washington	Council Member

* * * * *

David Young	Interim Finance Director
Randall Jones	Director of Aging Partners
David Cary	Planning Director
Lynn Johnson	Director of Parks and Recreation
Kevin Wailes	Lincoln Electric System Administrator
Dan Marvin	Director of Urban Development
Pat Leach	Director of Libraries
Elizabeth Elliott	Director of Transportation & Utilities
Chad Blahak	Director of Building and Safety
Patricia Lopez	Health Director
Douglas McDaniel	Human Resources Director
Yohance Christie	City Attorney
Brian Jackson	Interim Chief of Police
David Engler	Interim Fire Chief

* * * * *

CITY OF LINCOLN ORGANIZATION CHART



CITY OF LINCOLN, NEBRASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2020
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March 18, 2021

Dear Honorable City Council members and residents of Lincoln:

City government - at its best - helps people coexist and reach their full human potential. The work we do is fundamental to freeing members of our community from worry about the basics of city living so that they can pursue opportunities that improve their lives and their futures.

A significant responsibility of that work is ensuring both fiscal and operational accountability in our use of public resources. To that end, this letter serves as an introduction to the City of Lincoln's Comprehensive Annual Financial Report for the fiscal year ended August 31, 2020.

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 2019 report submitted to the Government Finance Officers Association was recognized with the prestigious Certificate of Achievement for Excellence in Financial Reporting for the 37th consecutive year. This recognition is a credit to the City and a compliment to our dedicated public servants in the Finance Department.

I would like to thank our Finance Department employees for their continued commitment to ensure our public accounts are accurate and to all City departments for their cooperation in the preparation of this document. Their excellent work lays a strong foundation for us to achieve our vision of leading Lincoln toward a more successful, secure and shared future.

Sincerely,



Leirion Gaylor Baird
Mayor

March 18, 2021

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 of the City of Lincoln, Nebraska for the fiscal year ended August 31, 2020, 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, 2020, disclosed no material internal control weaknesses. The independent auditor's reports are included in the Single Audit section found at the end of the comprehensive report.

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 from 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, 2020, are fairly presented in accordance 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 100 square miles, serves a population of approximately 289,000, 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 System, 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 2019 has been approximately 1.22% per year. The 2019 population of Lancaster County has been estimated to be in excess of 319,000 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, 2020, was 3.8%, well below the national average of 8.4%, with employment strongest in the categories of government, educational & health services, and retail trade.

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 \$13,680,645 or 17.0% from the previous fiscal year, of which \$11,469,874 comes from the addition of a voter approved .25% tax increase, effective October 1, 2019, to fund street improvements and construction.

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, HOME, ESG, Lead Hazard Reduction, and U.S. Treasury 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:

- **Parking Services Projects:**
 - 1) The City has committed to construction of a 700 space parking garage as part of a mixed use project on Block 4 in the West Haymarket. Construction started in the winter of 2020 with an anticipated completion date of March 2022.
 - 2) The renovation of the Eagle Parking Garage started in December 2019 and work will continue throughout 2020. Completion of the project is anticipated in March 2021 and the parking garage is scheduled to reopen in April 2021.

- 3) Parking Services acquired property on Block 65 totaling 75,000 square feet with the intention to build a new parking garage. The need for this parking garage was indicated by the results of an internal study conducted by Parking Services. Parking Services began preliminary design work on the new parking garage during 2020 and Urban Development began negotiating a redevelopment agreement with a developer for a portion of the site. Parking Services will also explore financing options for this structure during 2021.
- Downtown Redevelopment Projects:
 - 1) West Haymarket, Block 2 (north half).
 - 2) West Haymarket, Block 4.
 - 3) West Haymarket, Block 5.
 - 4) Pershing Redevelopment.
 - 5) Greater Downtown Principal Corridors Revitalization.
 - 6) South Haymarket Parking & Streetscape Phase 1.
 - 7) Campion Redevelopment.
 - 8) Huber Redevelopment.
 - 9) 1040 O Street Redevelopment.
 - 10) Terminal Building Redevelopment.
 - 11) 9th and O Redevelopment.
 - 12) Lied Place Redevelopment.
 - 13) Gold's Block Redevelopment.
 - 14) Central Hotel.
 - Antelope Valley Redevelopment Projects:
 - 1) Telegraph District Redevelopment.
 - 2) Hoppe Block Redevelopment.
 - 3) Greater Downtown Principal Corridors Revitalization.
 - 4) 2236 R Street.
 - 5) Hepburn Square.
 - University Place Redevelopment:
 - 1) 48th and Madison.
 - West O Street Redevelopment:
 - 1) West O Street Streetscape.
 - North 27th Street Redevelopment Project:
 - 1) 28th & Vine Container Housing.
 - 2) Oriental Market.
 - 3) 27th and Starr Housing.
 - Revolution Wraps Redevelopment.
 - 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 and Lead-Based Paint Hazard Control grant program.
 - 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) Continue Emergency Rental/Utility Assistance Program due to COVID-19 (2021)

- 5) 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) Wastewater Acquisition – Cleveland Street
 - 2) For effective transportation:
 - ✓ LOTM Projects:
 - ✓ A Street, 89th to 93rd and 93rd to 98th.
 - ✓ NW56th & West Holdrege.
 - ✓ Holdrege Roundabouts – Cedar Cove & 104th Streets.
 - ✓ Yankee Hill, 40th to 52nd Street.
 - ✓ S. Folsom & W. Palm Canyon Road.
 - ✓ 40th & Rokeby area – multiple projects.
 - ✓ 70th & Saltillo area – two projects.
 - ✓ Rokeby Road, 77th to 84th Streets.
 - ✓ 33rd and Cornhusker Hwy RTSD project.
 - ✓ 14th/Old Cheney/Warlick intersection.
 - ✓ East Beltway preliminary acquisitions.
 - ✓ South 40th Street improvements, South of YHR
 - ✓ West A Street, Folsom to SW 40th Street, 2 Phases: East/West.
 - ✓ New LFR & LPD station acquisitions/surplus.
 - ✓ Williams Branch Library lease.
 - ✓ StarTran site acquisition and bus shelter projects.
 - ✓ Arterial/residential rehabs, executive order, traffic signals & bridge replacement.
 - 3) For environmental quality:
 - ✓ Park sites citywide, Prairie Corridor, Jensen Park, Cooper Park, Folkways acquisition, Salt Creek wetland acquisitions, Beal Slough trail project.
 - ✓ 93rd and A Trunk Sewer, Cardwell Branch, BNSF crossings PE project and miscellaneous sanitary sewer upgrade projects.
 - ✓ 98th Street water main, Holdrege to Alvo and Holdrege, 98th to Sky Ranch.
 - ✓ Dead Man's Run, Forest Estates Blvd., conservation easements, misc storm water improvements.
 - 4) Relocation activities:
 - ✓ 14th/Old Cheney/Warlick intersection project.
 - ✓ West A Street widening project.
 - ✓ Deadman's Run.

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 \$95,833,000 over the 5-year period of fiscal year 2020-21 through fiscal year 2024-25. Funding for these projects will come from impact fees 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 \$229,924,700 over the 5-year period of fiscal year 2020-21 through 2024-25. These projects will be financed through impact fees, federal reimbursements, developer contributions, 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 2020-2025 Streets and Highways capital improvements program and Transportation improvement program identify average annual expenditures of \$54 million for the next five years. Funding for these projects includes \$218 million in City revenues, \$30 million in federal aid, and \$20 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, 2020, current tax collections by the County Treasurer were 97.58% of the tax levy, a decrease of less than 1% from last year. Allocations of property tax levy by purpose are as follows:

<u>City Tax Levy by Purpose</u>	<u>2019-2020</u>	<u>2018-2019</u>	<u>2017-2018</u>
General Fund	.2127	.2094	.1930
Library	.0365	.0373	.0413
Social Security	.0123	.0117	.0146
Police and Fire Pension	.0327	.0347	.0367
Unemployment Compensation	.0002	.0003	.0003
General Obligation Debt	<u>.0254</u>	<u>.0231</u>	<u>.0306</u>
Total	<u>.3198</u>	<u>.3165</u>	<u>.3165</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
M Street	384	November, 2018
Eagle	301	March, 2019

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.

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, 2020, 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 a decrease in operating income. Comparative data for the past two fiscal years is presented in the following table:

<u>Wastewater System</u>	<u>2019-2020</u>	<u>2018-2019</u>
Operating Revenues	\$32,587,103	32,202,451
Operating Income	6,208,601	7,481,815
Revenue Available For Debt Service	17,152,979	18,218,916
Debt Service	8,527,128	7,022,081
Debt Service Coverage Ratio	2.01	2.59

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>2019-2020</u>	<u>2018-2019</u>
Operating Revenues	\$41,125,527	38,378,994
Operating Income	12,871,867	11,127,322
Revenue Available For Debt Service	24,758,800	23,574,739
Debt Service	6,170,148	6,400,358
Debt Service Coverage Ratio	4.01	3.68

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, 2019, is included in the City's August 31, 2020, 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, 2019. This was the thirty-seventh 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 generally accepted accounting principles 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,


David Young
Interim Finance Director





Government Finance Officers Association

Certificate of
Achievement
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Presented to

**City of Lincoln
Nebraska**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

August 31, 2019

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, 2020, 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 are both major funds and represent 35%, 55%, and 18%, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose reports have 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 reports 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 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, 2020, and the respective changes in financial position and, where applicable, cash flows, 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.

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 information as 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, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Lincoln, Nebraska
March 18, 2021



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, 2020. 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).

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at August 31, 2020, by \$2,316,839,931 (net position). Of this amount, \$334,993,264 (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 \$114,909,330. Of this amount, \$31,507,174, or 27%, was an increase in governmental activities and \$83,402,156, or 73%, related to business-type activities. Please refer to the fund descriptions preceding the various combining statements (beginning on page 89) for information regarding constraints imposed on the City in spending available funds.
- As of August 31, 2020, the City's governmental funds reported combined ending fund balances of \$323,971,194 an increase of \$7,350,409 in comparison with the prior year. Of this total fund balance, 14%, or \$46,594,713 is available for spending at the City's discretion (unassigned fund balance).
- As of August 31, 2020, unrestricted fund balance (the total of committed, assigned, and unassigned fund balance) for the General Fund was \$60,909,290, or 42% of total General fund expenditures. Following the implementation of GASB Statement No. 54, reference must be made to pages 91-93 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 \$46,458,128 (4%) during the current fiscal year. Current year activity included the following: WHJPA issued \$100,000,000 of General Obligation Facility Refunding Bonds for an economic gain of approximately \$21,042,000; the City issued \$4,140,000 of General Obligation Stormwater Drainage and Flood Management Refunding Bonds for an economic gain of approximately \$1,006,000; the City issued \$21,765,000 of Limited Tax General Obligation Arena Refunding Bonds for an economic gain of approximately \$2,801,000.

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, 2020. 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, and municipal services center operations. 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 33-85 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 86-88 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 89 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 \$2,316,839,931 at August 31, 2020.

City Of Lincoln Condensed Statements of Net Position August 31, 2020 and 2019

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 435,999,315	424,804,219	419,877,985	452,583,880	855,877,300	877,388,099
Capital Assets	1,342,973,087	1,348,321,417	1,772,174,272	1,702,594,004	3,115,147,359	3,050,915,421
Total Assets	1,778,972,402	1,773,125,636	2,192,052,257	2,155,177,884	3,971,024,659	3,928,303,520
Deferred Outflows of Resources	19,920,069	23,182,380	18,734,222	20,952,303	38,654,291	44,134,683
Long-Term Liabilities Outstanding	576,152,088	594,902,080	938,822,145	976,755,816	1,514,974,233	1,571,657,896
Other Liabilities	33,145,205	39,056,342	134,505,664	145,023,243	167,650,869	184,079,585
Total Liabilities	609,297,293	633,958,422	1,073,327,809	1,121,779,059	1,682,625,102	1,755,737,481
Deferred Inflows of Resources	9,596,966	13,858,556	616,951	911,565	10,213,917	14,770,121
Net Position:						
Net Investment in Capital Assets	909,494,423	891,303,701	856,941,115	765,731,464	1,766,435,538	1,657,035,165
Restricted	174,029,693	162,762,413	41,381,436	35,564,865	215,411,129	198,327,278
Unrestricted	96,474,096	94,424,924	238,519,168	252,143,234	334,993,264	346,568,158
Total Net Position	\$ 1,179,998,212	1,148,491,038	1,136,841,719	1,053,439,563	2,316,839,931	2,201,930,601

By far the largest portion of the City's net position (76%) reflects its investment in capital assets (e.g., land, buildings, improvements, utility plant, infrastructure, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital

assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

At August 31, 2020, 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, 2020 and 2019

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for Services	\$ 72,420,411	73,568,842	435,122,374	452,497,244	507,542,785	526,066,086
Operating Grants and Contributions	74,440,798	70,640,446	264,280	19,303	74,705,078	70,659,749
Capital Grants and Contributions	13,993,017	18,219,765	32,086,296	11,316,858	46,079,313	29,536,623
General Revenues:						
Property Tax	85,070,230	78,379,964	-	-	85,070,230	78,379,964
Sales and Use Tax	94,014,467	80,333,822	-	-	94,014,467	80,333,822
Occupation Tax	24,548,465	27,867,756	3,964,450	3,456,319	28,512,915	31,324,075
Other Taxes	27,357,420	27,523,776	-	-	27,357,420	27,523,776
Unrestricted Grants and Contributions	56,090	50,330	-	-	56,090	50,330
Unrestricted Investment Earnings	5,276,803	7,211,377	7,362,809	7,068,187	12,639,612	14,279,564
Other	1,751,485	1,576,598	1,034,848	680,853	2,786,333	2,257,451
Total Revenues	398,929,186	385,372,676	479,835,057	475,038,764	878,764,243	860,411,440
Expenses:						
General Government	57,362,717	58,007,177	-	-	57,362,717	58,007,177
Public Safety	115,994,657	111,464,206	-	-	115,994,657	111,464,206
Streets and Highways	64,899,917	71,078,034	-	-	64,899,917	71,078,034
Culture and Recreation	51,835,619	48,510,294	-	-	51,835,619	48,510,294
Economic Opportunity	14,998,235	16,528,039	-	-	14,998,235	16,528,039
Health and Welfare	31,811,506	30,907,049	-	-	31,811,506	30,907,049
Mass Transit	17,211,162	16,283,063	-	-	17,211,162	16,283,063
Equipment Management	627,942	562,531	-	-	627,942	562,531
Engineering Services	1,519,718	3,900,549	-	-	1,519,718	3,900,549
Interest on Long-Term Debt	19,211,309	19,395,458	-	-	19,211,309	19,395,458
Golf	-	-	4,204,729	3,959,217	4,204,729	3,959,217
Parking System	-	-	10,263,845	10,634,630	10,263,845	10,634,630
Municipal Arena	-	-	8,185,336	12,241,290	8,185,336	12,241,290
Solid Waste Management	-	-	12,893,945	11,197,893	12,893,945	11,197,893
Emergency Medical Services	-	-	8,019,204	7,533,068	8,019,204	7,533,068
Broadband Enterprise	-	-	2,496,469	1,288,701	2,496,469	1,288,701
Wastewater System	-	-	29,051,899	26,849,143	29,051,899	26,849,143
Water System	-	-	31,205,232	28,776,618	31,205,232	28,776,618
Electric System	-	-	282,163,000	288,860,000	282,163,000	288,860,000
Total Expenses	375,472,782	376,636,400	388,483,659	391,340,560	763,956,441	767,976,960
Increase in Net Position Before Transfers	23,456,404	8,736,276	91,351,398	83,698,204	114,807,802	92,434,480
Transfers	8,050,770	6,303,689	(7,949,242)	(6,198,645)	101,528	105,044
Increase in Net Position	31,507,174	15,039,965	83,402,156	77,499,559	114,909,330	92,539,524
Net Position - Beginning	1,148,491,038	1,133,451,073	1,053,439,563	975,940,004	2,201,930,601	2,109,391,077
Net Position - Ending	\$ 1,179,998,212	1,148,491,038	1,136,841,719	1,053,439,563	2,316,839,931	2,201,930,601

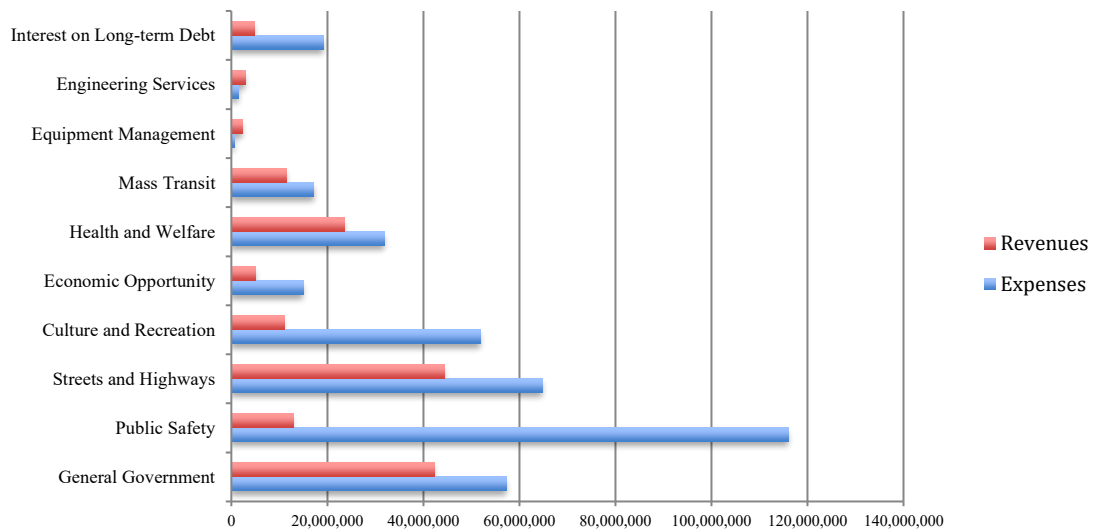
GOVERNMENTAL ACTIVITIES

Governmental activities increased the City's net position by \$31,507,174, accounting for 27% of the total growth in the net position of the City of Lincoln. Key elements of this increase are as follows:

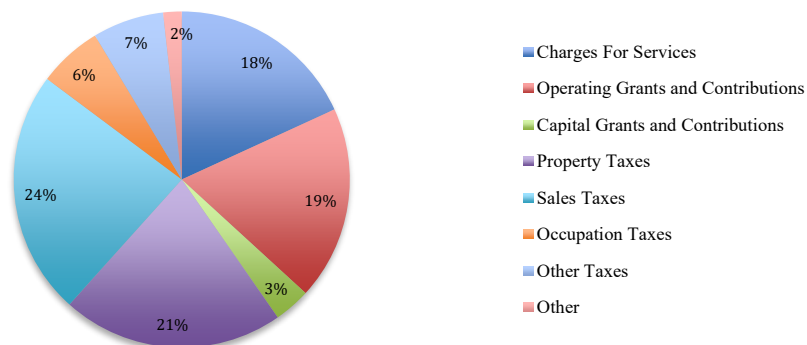
- Property Tax receipts increased by approximately \$6.7 million (8.5%) in 2020 primarily due to a 4.5% increase in the overall tax base.

- Sales tax collections increased by approximately \$13.7 million (17.0%) during 2020. The .25% cent sales tax established to provide funding for street rehabilitation, reconstruction, and new construction of arterial streets began in October 2019.
- Unrestricted investment earnings decreased by approximately \$1.9 million (26.8%) during 2020. Pooled cash investments decreased 26.4% over the prior year and the investments yield decreased 41% in 2020.
- Total governmental expenses decreased by approximately \$1.2 million during 2020. The most significant decrease in expense amount was in the streets and highways program, where a \$15 million payment was made in the prior year to the State for funding of the South Beltway Project. Public Safety expenses increased with the opening of new fire stations, additional staffing of firefighters, and increased station maintenance.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

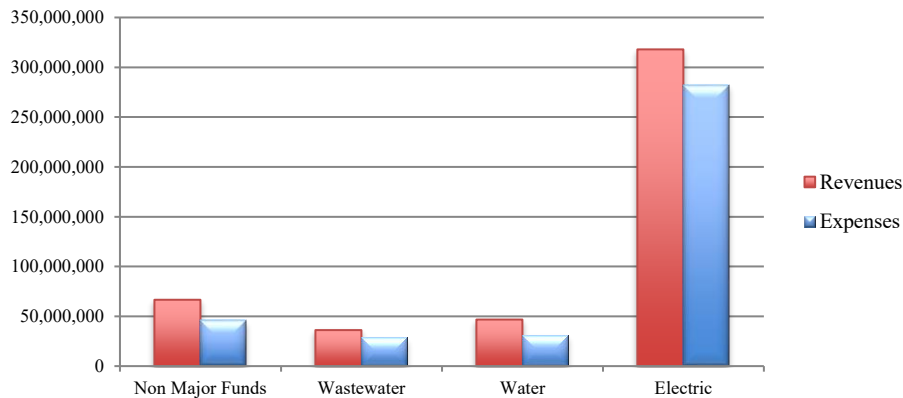


BUSINESS-TYPE ACTIVITIES

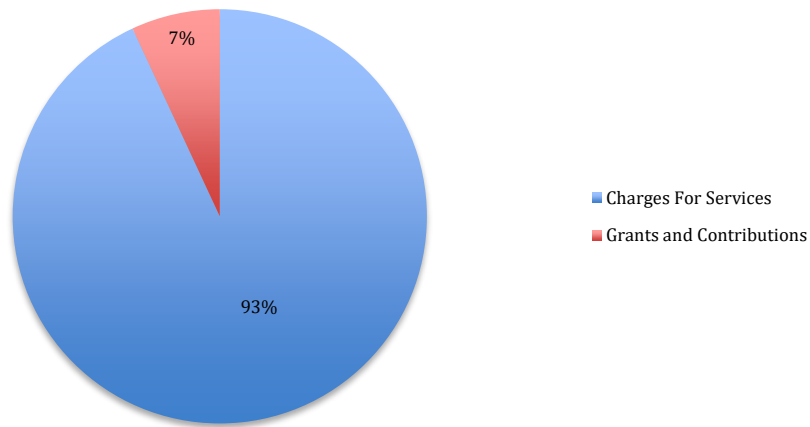
Business-type activities increased the City's net position by \$83,402,156, accounting for 73% of the total growth in the government's net position. Key elements of this increase are as follows:

- Lincoln Electric System operating revenue in 2019 was down 4.7% from 2018. Retail revenue was 2.6% lower primarily due to reclassification of a large customer from commercial to wholesale, demand reductions by large customers, and a city-wide conversion of streetlights to LED. Wholesale revenue was down 23.2% due to extended outages at Laramie River Station (LRS) and Rokeby Generation Station. Other revenue was up 7.4% primarily due an increase in miscellaneous revenue related to sales of natural gas capacity. Operating expenses in 2019 were \$246,216,000, a decrease of 3.2%. Purchased power and produced power expenses were down 6.1% primarily due to reduced produced power expenses. Depreciation and amortization expenses were up 3.0% primarily due to utility plant additions. Operations and maintenance expenses were down 6.7% due to lower transmission expenses.
- Lincoln Wastewater System reported increased operating revenues primarily due to a 5% rate increase implemented November 2019. The nonoperating revenue decrease was the result of one-time TIF funding in the prior year. Nonoperating expenses increased due to a new borrowing in 2019.
- Lincoln Water System reported increased revenues primarily due to a 5% rate increase implemented November 2019. Lincoln Water System nonoperating revenues decreased due to a reduction in investment income, grant revenue, and TIF funding. Nonoperating expenses increased due to repair expenditures related to a 2019 flooding event.

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, 2020, the City's governmental funds reported combined ending fund balances of \$323,971,194, an increase of \$7,350,409 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 (\$1,961,595), legally required to be maintained intact (\$37,160,000), restricted for particular purposes (\$152,601,634), committed for particular purposes (\$927,439), or assigned for particular purposes (\$84,725,813).

The General Fund is the chief operating fund of the City. At August 31, 2020, the unrestricted fund balance of the General Fund was \$60,909,290, while total fund balance reached \$68,769,374. 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 42% of total General Fund expenditures, while total fund balance represents 47% of that same amount.

The fund balance of the City's General Fund increased by \$4,598,368 during 2020. Capital improvement project expenditures in the current year were less than appropriated. The remaining appropriations remain, and the expenditures will occur in future years. The City appropriates General Fund balance as a funding source for budget, with the allocation of balances spread over the one or two-year budget cycle.

The Street Construction Fund has a total fund balance of \$52,136,467, which is to be used in the construction and maintenance of streets and highways. The net decrease in fund balance during 2020 in the Street Construction Fund was \$3,284,138, with total revenues showing a 9% decrease and capital construction expenses showing a 27% decrease. Prior year expense included a \$15,000,000 contribution to the State of Nebraska South Beltway project.

The West Haymarket JPA Fund had a fund balance of \$38,574,567, 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 \$(2,304,059). The fund balance is a result of the issuance of bonds in prior years, occupation tax and donation revenue, less the Agency's expenditures for construction, debt service and general operations.

PROPRIETARY FUNDS

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

Unrestricted net position of the Wastewater System, Water System, Electric System, and other enterprise funds amounted to \$21,666,861, \$36,286,243, \$180,446,000 and \$120,064, respectively, at August 31, 2020 (December 31, 2019 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 can be summarized as follows:

Revenue projections:

- \$1,771,680 increase in real estate and personal property tax,
- \$(4,127,109) decrease in taxes collected by others.

Expenditure appropriations:

- \$(1,381,491) decrease in miscellaneous changes in general government activities.
- \$(2,032,999) decrease allocated to public safety.
- \$(46,334) in decreases to streets & highways.
- \$(401,995) decrease allocated to parks and recreation.
- \$(3,441,937) in decreases allocated for General Fund net transfers to other City funds.

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

- \$1,959,936 positive variance in real estate and personal property tax. Actual property tax collections were 97.58% of the 2019 levy, while estimated tax revenue is based on 90% collections as provided by the City Charter.
- \$(1,646,477) negative variance in recreation receipts. \$2,594,343 positive variance in parks and recreation expenditures. These variances are primarily because of the COVID-19 pandemic effects on Parks activities.
- \$6,074,238 positive variance in miscellaneous general government expenditures. Significant savings were realized in several service line items that are reappropriated to cover future expenditures.
- \$5,903,055 positive variance in police expenditures. Salary related expenditure variances are the result of turnover in positions during the year reducing actual costs compared to a fully staffed budget. Remaining balances are reappropriated to the next year to assist with one-time expenditures that are not ongoing operating expenditures.
- \$1,443,772 positive variance in fire expenditures. Approximately \$703,000 of this variance is related to delayed spending on capital projects funded with General Fund monies. Other remaining balances are reappropriated to the next year to assist with one-time expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of August 31, 2020, amounts to \$3,115,147,359 (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 2020 was 2% (0.4% decrease for governmental activities and 3.8% increase for business-type activities).

Major capital asset events during 2020 included the following:

- The City increased its investment in infrastructure, including streets, bridges, drainage and traffic systems, in excess of \$29 million.
- The construction of new fire stations continued with current year expenses of \$1.9 million, along with final payments on 7 new fire trucks costing \$1.7 million.
- StarTran, the City's mass transit system, added 4 new electric buses and a natural gas fueled bus at a cost of \$3.9 million. A CNG fueling station and an electric charging station were added with expenditures of \$1.0 million.
- LES is a 12.76% share owner in the Laramie River Station. LES' share of capital improvements for the plant in 2019 was \$6,334,000.
- Construction continues for the LES Operation Center (LOC). Capital expenditures in 2019 for this project totaled \$20,353,000. Phase one of the LOC, which includes a second LES operations center was completed in 2019. Phase two of construction, which will include an administrative building, is planned for completion in 2020. Total project cost is expected to be \$104,183,000.
- The Duct Installation Program (DIP), which started in 2012, is a 9-year project to install over 600 miles of duct adjacent to distribution cable, allowing the cable to be replaced quickly when it reaches the end of

its useful life. Capital expenditures in 2019 totaled \$2,871,000. The DIP project is now expected to be completed in 2020 with a total project cost of \$29,452,000.

- Lincoln Wastewater System 2020 major capital asset events included West A Street improvements and the phase II relief sewer trunk replacements.
- Lincoln Water System 2020 capital assets activity included flood protection & bank stabilization and well pump replacements.

City Of Lincoln
Capital Assets (net of depreciation)
August 31, 2020 and 2019

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 167,644,381	172,113,975	33,658,567	32,485,031	201,302,948	204,599,006
Buildings	299,256,884	290,212,645	139,689,124	140,650,883	438,946,008	430,863,528
Improvements Other Than Buildings	89,984,360	91,290,543	589,629,193	551,556,417	679,613,553	642,846,960
Machinery and Equipment	61,249,630	55,699,079	24,498,616	23,721,811	85,748,246	79,420,890
Utility Plant	-	-	858,088,000	793,602,000	858,088,000	793,602,000
Infrastructure	657,934,101	640,603,894	-	-	657,934,101	640,603,894
Construction-in-progress	66,903,731	98,401,281	126,610,772	163,833,862	193,514,503	262,235,143
Total	<u>\$ 1,342,973,087</u>	<u>1,348,321,417</u>	<u>1,772,174,272</u>	<u>1,705,850,004</u>	<u>3,115,147,359</u>	<u>3,054,171,421</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, 2020, the City of Lincoln had total bonded debt outstanding of \$1,192,046,136. Of this amount, \$407,091,136 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured by specified revenue sources (i.e., revenue bonds).

City Of Lincoln
Outstanding Bonded Debt
August 31, 2020 and 2019

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$ 407,091,136	419,149,264	-	-	407,091,136	419,149,264
Revenue Bonds	-	-	784,955,000	819,355,000	784,955,000	819,355,000
Total	<u>\$ 407,091,136</u>	<u>419,149,264</u>	<u>784,955,000</u>	<u>819,355,000</u>	<u>1,192,046,136</u>	<u>1,238,504,264</u>

The City's total bonded debt decreased by \$46,458,128 (4%) during the current fiscal year. Current year activity included the following: WHJPA issued \$100,000,000 of General Obligation Facility Refunding Bonds for an economic gain of approximately \$21,042,000; the City issued \$4,140,000 of General Obligation Stormwater Drainage and Flood Management Refunding Bonds for an economic gain of approximately \$1,006,000; the City issued \$21,765,000 of Limited Tax General Obligation Arena Refunding Bonds for an economic gain of approximately \$2,801,000.

The City maintains the following credit ratings:

	Moody's Investors Service	Standard & Poor's	Fitch Investors Service
General Obligation Bonds	Aaa	AAA	-
West Haymarket JPA Bonds	Aa1	AAA	-
Water Revenue Bonds	Aa1	AA+	-
Wastewater Revenue Bonds	Aa1	AA+	-
General Obligation Parking System Bonds	Aaa	AAA	-
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 56-62 of this report.

ECONOMIC FACTORS AND FUTURE BUDGETS AND RATES

- In August 2020, the Lincoln City Council approved a 6% and 4% revenue increase for fiscal year 2021 for the Water and Wastewater Systems, respectively. 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 2020-2021 budget increased \$2,158,478 from the prior year. Total valuation growth is 3.15%, with no increase in the current tax rate.
- The budgeted local sales tax rate is 1.5%, which supports the General Fund. A decrease of 3.34% in collections is projected for 2020-2021. Projected sales tax collections could be impacted by legislative changes and unanticipated changes in economic activity. Nebraska began collecting online sales tax in 2019 which has a positive impact on revenues. However, the economic impacts due to COVID-19 shutdowns are why there is a projected decrease in the 2020-2021 estimated revenues.
- Lincoln voters approved a .25% cent sales tax increase in 2019, for six years only, to provide funding for street rehabilitation, reconstruction, and new construction of arterial streets in all quadrants of the City. This tax began on October 1, 2019 and ends on October 1, 2025.
- Health insurance is projected to increase 3% in 2020-2021. Dental insurance is projected to increase 4%.
- The City negotiates with six different bargaining units. One contract will expire in August 2022, with the remaining five agreements in effect until August 2021.
- Staffing changes included in the 2020-2021 fiscal year budget resulted in an increase for all funds of 34.97 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/.

BASIC FINANCIAL STATEMENTS

CITY OF LINCOLN, NEBRASKA
STATEMENT OF NET POSITION
AUGUST 31, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 68,383,239	48,391,789	116,775,028
Investments	266,931,140	181,134,650	448,065,790
Receivables, (Net of Allowance for Uncollectibles)	35,389,594	53,737,428	89,127,022
Internal Balances	(11,751,781)	11,751,781	-
Due from Other Governments	32,052,136	18,639	32,070,775
Inventories	2,456,928	19,388,786	21,845,714
Plant Operation Assets	-	16,907,000	16,907,000
Prepaid Items	966,627	3,348,264	4,314,891
Other Assets	4,411,432	4,961,742	9,373,174
Restricted Assets:			
Cash and Cash Equivalents	-	9,599,377	9,599,377
Investments	37,160,000	70,579,822	107,739,822
Receivables	-	58,707	58,707
Capital Assets:			
Non-depreciable	234,548,112	160,269,339	394,817,451
Depreciable (Net)	1,108,424,975	1,611,904,933	2,720,329,908
Total Assets	<u>1,778,972,402</u>	<u>2,192,052,257</u>	<u>3,971,024,659</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Loss on Refunding	2,951,907	13,780,131	16,732,038
Deferred Outflows for Pension	14,886,337	1,335,881	16,222,218
Deferred Outflows for OPEB	2,081,825	244,210	2,326,035
Deferred Costs for Asset Retirement Obligations	-	3,374,000	3,374,000
Total Deferred Outflows of Resources	<u>19,920,069</u>	<u>18,734,222</u>	<u>38,654,291</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	17,096,679	27,427,865	44,524,544
Accrued Liabilities	5,362,182	31,780,750	37,142,932
Due to Other Governments	294,597	158,110	452,707
Unearned Revenue	6,508,305	5,428,554	11,936,859
Commercial Paper	-	65,500,000	65,500,000
Accrued Interest Payable	3,883,442	10,210,385	14,093,827
Noncurrent Liabilities:			
Payable within One Year	36,319,956	51,650,687	87,970,643
Payable in More Than One Year	539,832,132	881,171,458	1,421,003,590
Total Liabilities	<u>609,297,293</u>	<u>1,073,327,809</u>	<u>1,682,625,102</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Beneficial Interest Revenue	2,672,667	-	2,672,667
Deferred Gain on Refunding	803,272	-	803,272
Deferred Inflows for Pension	4,403,322	415,453	4,818,775
Deferred Inflows for OPEB	1,717,705	201,498	1,919,203
Total Deferred Inflows of Resources	<u>9,596,966</u>	<u>616,951</u>	<u>10,213,917</u>
NET POSITION			
Net Investment in Capital Assets	909,494,423	856,941,115	1,766,435,538
Restricted for:			
Debt Service	5,293,398	23,526,367	28,819,765
Capital Projects	64,458,104	16,671,069	81,129,173
Grantor Loan Programs	19,166,627	-	19,166,627
Other	16,882,907	1,184,000	18,066,907
Trust Donations:			
Expendable	3,437,436	-	3,437,436
Nonexpendable	160,000	-	160,000
Health Care:			
Expendable	27,631,221	-	27,631,221
Nonexpendable	37,000,000	-	37,000,000
Unrestricted	<u>96,474,096</u>	<u>238,519,168</u>	<u>334,993,264</u>
Total Net Position	<u>\$ 1,179,998,212</u>	<u>1,136,841,719</u>	<u>2,316,839,931</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, 2020

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Expenses							
Functions/Programs							
Governmental Activities:							
General Government	\$ (57,362,717)	39,315,341	1,956,496	1,074,398	(15,016,482)	-	(15,016,482)
Public Safety	(115,994,657)	7,477,549	4,974,735	390,734	(103,151,639)	-	(103,151,639)
Streets and Highways	(64,899,917)	5,905,768	28,838,752	9,748,861	(20,406,536)	-	(20,406,536)
Culture and Recreation	(51,835,619)	5,636,080	3,634,989	1,698,247	(40,866,303)	-	(40,866,303)
Economic Opportunity	(14,998,235)	42,693	4,849,858	148,011	(9,957,673)	-	(9,957,673)
Health and Welfare	(31,811,506)	5,343,749	18,144,946	-	(8,322,811)	-	(8,322,811)
Mass Transit	(17,211,162)	3,178,089	8,358,425	-	(5,674,648)	-	(5,674,648)
Equipment Management	(627,942)	2,217,055	-	45,856	1,634,969	-	1,634,969
Engineering Services	(1,519,718)	2,920,272	-	34,755	1,435,309	-	1,435,309
Interest on Long-Term Debt	(19,211,309)	383,815	3,682,597	852,155	(14,292,742)	-	(14,292,742)
Total Governmental Activities	(375,472,782)	72,420,411	74,440,798	13,993,017	(214,618,556)	-	(214,618,556)
Business-Type Activities:							
Golf	(4,204,729)	4,800,125	767	-	-	596,163	596,163
Parking System	(10,263,845)	13,720,506	-	1,000,000	-	4,456,661	4,456,661
Municipal Arena	(8,185,336)	7,045,199	-	-	-	(1,140,137)	(1,140,137)
Solid Waste Management	(12,893,945)	10,295,628	111,832	69,890	-	(2,416,595)	(2,416,595)
Emergency Medical Services	(8,019,204)	6,921,790	149,680	-	-	(947,734)	(947,734)
Broadband Enterprise	(2,496,469)	1,575,640	2,001	20,910,501	-	19,991,673	19,991,673
Wastewater System	(29,051,899)	32,529,755	-	3,627,082	-	7,104,938	7,104,938
Water System	(31,205,232)	41,023,731	-	5,723,823	-	15,542,322	15,542,322
Electric System	(282,163,000)	317,210,000	-	755,000	-	35,802,000	35,802,000
Total Business-Type Activities	(388,483,659)	435,122,374	264,280	32,086,296	-	78,989,291	78,989,291
Total	\$ (763,956,441)	507,542,785	74,705,078	46,079,313	(214,618,556)	78,989,291	(135,629,265)
General Revenues:							
Property Tax					85,070,230	-	85,070,230
Motor Vehicle Tax					6,361,079	-	6,361,079
Wheel Tax					18,540,900	-	18,540,900
Sales and Use Tax					94,014,467	-	94,014,467
Turnback Tax					2,400,569	-	2,400,569
Sundry and In Lieu Tax					54,872	-	54,872
Occupation Tax					24,548,465	3,964,450	28,512,915
Unrestricted Grants and Contributions					56,090	-	56,090
Unrestricted Investment Earnings					5,276,803	7,362,809	12,639,612
Miscellaneous General Revenues					1,580,490	1,034,848	2,615,338
Gain on Extinguishment of Debt					170,995	-	170,995
Transfers					8,050,770	(7,949,242)	101,528
Total General Revenues and Transfers					246,125,730	4,412,865	250,538,595
Change in Net Position					31,507,174	83,402,156	114,909,330
Net Position - Beginning of Year					1,148,491,038	1,053,439,563	2,201,930,601
Net Position - Ending					\$ 1,179,998,212	1,136,841,719	2,316,839,931

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

CITY OF LINCOLN, NEBRASKA
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2020

	General Fund	Street Construction Fund	West Haymarket JPA Fund	Other Governmental Funds	Total
ASSETS					
Cash and Cash Equivalents	\$ 13,866,057	7,906,457	7,703,893	23,176,522	52,652,929
Investments	44,678,036	27,895,764	34,137,551	143,010,352	249,721,703
Receivables, (Net of Allowance for Uncollectibles)	7,067,699	216,631	2,472,558	25,278,662	35,035,550
Due from Other Funds	1,824,163	14,495,910	-	3,923,586	20,243,659
Due from Other Governments	16,099,626	6,252,820	766,242	8,468,939	31,587,627
Inventories	67,420	702,031	-	967,027	1,736,478
Beneficial Interest Asset	-	-	-	2,672,667	2,672,667
Assets Held for Resale	-	-	1,738,765	-	1,738,765
Prepaid Items	221,164	-	3,953	-	225,117
Total Assets	<u>83,824,165</u>	<u>57,469,613</u>	<u>46,822,962</u>	<u>207,497,755</u>	<u>395,614,495</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts Payable	1,097,633	3,815,310	591,849	3,163,168	8,667,960
Contracts Payable	-	128,387	-	1,056,870	1,185,257
Accrued Liabilities	2,613,646	224,100	183,000	1,783,862	4,804,608
Due to Other Funds	9,006,193	646,025	117,598	25,270,206	35,040,022
Due to Other Governments	23,566	109	33,318	237,464	294,457
Due to Other Contractors	-	-	-	4,975,283	4,975,283
Unearned Revenue	3,800	-	6,259,749	237,418	6,500,967
Total Liabilities	<u>12,744,838</u>	<u>4,813,931</u>	<u>7,185,514</u>	<u>36,724,271</u>	<u>61,468,554</u>
Deferred Inflows of Resources:					
Unavailable Revenues	2,309,953	519,215	1,062,881	3,610,031	7,502,080
Beneficial Interest Revenue	-	-	-	2,672,667	2,672,667
Total Deferred Inflows of Resources	<u>2,309,953</u>	<u>519,215</u>	<u>1,062,881</u>	<u>6,282,698</u>	<u>10,174,747</u>
Fund Balances:					
Nonspendable	288,584	702,031	3,953	38,127,027	39,121,595
Restricted	7,571,500	41,196,466	2,436,708	101,396,960	152,601,634
Committed	-	-	-	927,439	927,439
Assigned	13,974,762	10,237,970	36,133,906	24,379,175	84,725,813
Unassigned	46,934,528	-	-	(339,815)	46,594,713
Total Fund Balances	<u>68,769,374</u>	<u>52,136,467</u>	<u>38,574,567</u>	<u>164,490,786</u>	<u>323,971,194</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 83,824,165</u>	<u>57,469,613</u>	<u>46,822,962</u>	<u>207,497,755</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.	1,308,814,966
Balances representing the net exchange of property in an asset bank are not financial resources and, therefore, not reported in the funds.	216,300
Revenues earned during the current period are not available for current period expenditures and, therefore, are recognized as unavailable revenue in the funds.	7,502,080
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.	82,831,719
Long-term construction contracts and other liabilities require the use of unavailable financial resources and, therefore, are not reported in the funds.	(750,920)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(542,587,127)
Net position of governmental activities	<u>\$ 1,179,998,212</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, 2020

	General Fund	Street Construction Fund	West Haymarket JPA Fund	Other Governmental Funds	Total
REVENUES					
Taxes:					
Property	\$ 49,265,141	-	-	35,805,213	85,070,354
Motor Vehicle	6,361,079	-	-	-	6,361,079
Wheel	-	-	-	18,540,900	18,540,900
Sales and Use	81,438,354	-	-	12,576,113	94,014,467
Turnback	-	-	-	2,400,569	2,400,569
Sundry and In Lieu	56,313	-	-	11,905	68,218
Occupation	8,114,760	-	15,135,456	1,290,556	24,540,772
Special Assessment	-	-	-	1,391,217	1,391,217
Intergovernmental	4,891,655	28,978,874	3,680,972	34,778,845	72,330,346
Permits and Fees	4,963,959	4,844,986	3,835	14,558,954	24,371,734
Reimbursement for Services	7,178,316	957,678	8,135,730	1,057,667	17,329,391
Program Income	-	-	-	40,193	40,193
Investment Earnings	2,546,095	254,684	855,274	4,165,231	7,821,284
Donations	1,159,396	-	-	2,272,227	3,431,623
Keno Proceeds	-	-	-	5,641,379	5,641,379
Miscellaneous	625,723	278,143	4,511	1,153,858	2,062,235
Total Revenues	<u>166,600,791</u>	<u>35,314,365</u>	<u>27,815,778</u>	<u>135,684,827</u>	<u>365,415,761</u>
EXPENDITURES					
Current:					
General Government	42,543,066	-	9,830,519	14,115,153	66,488,738
Public Safety	77,988,171	-	-	11,405,945	89,394,116
Streets and Highways	6,404,890	21,653,818	-	107	28,058,815
Culture and Recreation	14,885,580	-	-	10,922,214	25,807,794
Economic Opportunity	-	-	-	3,085,972	3,085,972
Health and Welfare	3,711,676	-	-	29,045,972	32,757,648
Mass Transit	-	-	-	20,340,337	20,340,337
Debt Service	-	-	23,289,895	29,969,117	53,259,012
Capital Outlay	-	34,025,155	4,227	23,756,716	57,786,098
Total Expenditures	<u>145,533,383</u>	<u>55,678,973</u>	<u>33,124,641</u>	<u>142,641,533</u>	<u>376,978,530</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>21,067,408</u>	<u>(20,364,608)</u>	<u>(5,308,863)</u>	<u>(6,956,706)</u>	<u>(11,562,769)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	13,066,630	22,270,854	378,000	42,479,502	78,194,986
Transfers Out	(29,591,859)	(5,194,134)	(800,196)	(28,358,208)	(63,944,397)
Issuance of Refunding Debt	-	-	100,000,000	25,905,000	125,905,000
Premium on Debt Issued	-	-	121,926	2,191,860	2,313,786
Transfer to Bond Refunding Agent	-	-	(99,521,926)	(27,808,069)	(127,329,995)
Sale of Capital Assets	56,189	3,750	2,827,000	886,859	3,773,798
Total Other Financing Sources (Uses)	<u>(16,469,040)</u>	<u>17,080,470</u>	<u>3,004,804</u>	<u>15,296,944</u>	<u>18,913,178</u>
Net Change in Fund Balances	4,598,368	(3,284,138)	(2,304,059)	8,340,238	7,350,409
Fund Balances - Beginning	<u>64,171,006</u>	<u>55,420,605</u>	<u>40,878,626</u>	<u>156,150,548</u>	<u>316,620,785</u>
Fund Balances - Ending	<u>\$ 68,769,374</u>	<u>52,136,467</u>	<u>38,574,567</u>	<u>164,490,786</u>	<u>323,971,194</u>

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

CITY OF LINCOLN, NEBRASKA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

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

Net change in fund balances - total governmental funds	\$ 7,350,409
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 depreciation exceeded capital outlays in the current period.	(636,882)
The net effect of various transactions involving capital contributions is to increase net position.	3,424,191
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.	(168,671)
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.	23,233,609
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.	(13,214,748)
Changes in the net pension liability, deferred inflows and outflows related to the net pension liability, total OPEB liability, and deferred inflows and outflows related to the total OPEB liability do not represent financial activity in the governmental funds.	(1,176,629)
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.	<u>12,695,895</u>
Change in net position of governmental activities	<u><u>\$ 31,507,174</u></u>

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

CITY OF LINCOLN, NEBRASKA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED AUGUST 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues:				
Real Estate and Personal Property Tax	\$ 51,917,131	53,688,811	55,648,747	1,959,936
Taxes Collected by Others	83,643,597	79,516,488	80,343,337	826,849
Sundry Taxes and In Lieu	33,510	33,510	53,752	20,242
Occupation Taxes	9,001,975	9,001,975	8,462,585	(539,390)
Intergovernmental	3,626,331	3,626,331	3,023,839	(602,492)
Permits and Fees	3,824,642	3,824,642	3,967,545	142,903
Reimbursement for Services	4,049,370	4,049,370	4,838,346	788,976
Court Fees	755,000	755,000	65,980	(689,020)
Recreation Receipts	2,853,495	2,853,495	1,207,018	(1,646,477)
Investment Earnings	470,327	470,327	1,481,635	1,011,308
Donations	1,115,890	1,115,890	1,137,172	21,282
Rental Income	571,308	571,308	423,763	(147,545)
Miscellaneous	346,166	346,166	441,504	95,338
Total Revenues	<u>162,208,742</u>	<u>159,853,313</u>	<u>161,095,223</u>	<u>1,241,910</u>
Expenditures:				
General Government:				
Legislative	488,610	404,692	250,016	154,676
Executive	1,979,342	1,950,342	1,703,584	246,758
Financial Administration	4,162,366	4,130,366	3,907,687	222,679
Law	3,770,732	3,754,232	3,173,564	580,668
Personnel Administration	2,137,987	2,081,363	1,354,827	726,536
Planning and Zoning	2,108,712	2,028,197	2,001,465	26,732
Urban Development	1,318,446	1,242,301	1,017,746	224,555
Miscellaneous	36,705,723	35,698,934	29,624,696	6,074,238
Total General Government	<u>52,671,918</u>	<u>51,290,427</u>	<u>43,033,585</u>	<u>8,256,842</u>
Public Safety:				
Police	47,327,166	46,702,030	40,798,975	5,903,055
Fire	33,710,095	32,302,232	30,858,460	1,443,772
Total Public Safety	<u>81,037,261</u>	<u>79,004,262</u>	<u>71,657,435</u>	<u>7,346,827</u>
Streets and Highways:				
Street Maintenance	2,528,929	2,482,595	2,178,189	304,406
Street Lighting	2,996,988	2,996,988	4,172,952	(1,175,964)
Total Streets and Highways	<u>5,525,917</u>	<u>5,479,583</u>	<u>6,351,141</u>	<u>(871,558)</u>
Culture and Recreation:				
Parks and Recreation	17,712,274	17,310,279	14,715,936	2,594,343
Libraries	173,207	173,207	173,207	-
Total Culture and Recreation	<u>17,885,481</u>	<u>17,483,486</u>	<u>14,889,143</u>	<u>2,594,343</u>
Health and Welfare:				
Health Services	398,803	398,803	398,803	-
Aging Assistance	136,455	136,455	136,455	-
Total Health and Welfare	<u>535,258</u>	<u>535,258</u>	<u>535,258</u>	<u>-</u>
Debt Service:				
Issuance and Management Costs	-	-	19,380	(19,380)
Total Expenditures	<u>157,655,835</u>	<u>153,793,016</u>	<u>136,485,942</u>	<u>17,307,074</u>
Excess of Revenues Over Expenditures	<u>4,552,907</u>	<u>6,060,297</u>	<u>24,609,281</u>	<u>18,548,984</u>
Other Financing Sources (Uses):				
Transfers In	12,909,516	12,909,516	13,086,245	176,729
Transfers Out	(42,042,808)	(38,600,871)	(36,242,130)	2,358,741
Sale of Capital Assets	2,678	2,678	56,381	53,703
Total Other Financing Sources (Uses)	<u>(29,130,614)</u>	<u>(25,688,677)</u>	<u>(23,099,504)</u>	<u>2,589,173</u>
Net Change in Fund Balances	<u>\$ (24,577,707)</u>	<u>(19,628,380)</u>	<u>1,509,777</u>	<u>21,138,157</u>
Fund Balances - Beginning			36,888,201	
Fund Balances - Ending			<u>\$ 38,397,978</u>	

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



CITY OF LINCOLN, NEBRASKA
STREET CONSTRUCTION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED AUGUST 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues:				
Intergovernmental	26,164,600	26,164,600	27,309,864	1,145,264
Permits and Fees	360,000	360,000	446,931	86,931
Reimbursement for Services	-	-	883,110	883,110
Investment Earnings	-	-	544,684	544,684
Miscellaneous	-	-	18,788	18,788
Total Revenues	<u>26,524,600</u>	<u>26,524,600</u>	<u>29,203,377</u>	<u>2,678,777</u>
Expenditures -- Streets and Highways:				
Personal Services	11,045,416	11,031,896	10,436,369	595,527
Materials and Supplies	2,187,235	2,187,253	2,672,446	(485,193)
Other Services and Charges	7,651,963	7,651,963	8,349,139	(697,176)
Capital Outlay	1,210,125	1,210,125	435,485	774,640
Total Expenditures	<u>22,094,739</u>	<u>22,081,237</u>	<u>21,893,439</u>	<u>187,798</u>
Excess of Revenues Over Expenditures	<u>4,429,861</u>	<u>4,443,363</u>	<u>7,309,938</u>	<u>2,866,575</u>
Other Financing Sources (Uses):				
Transfers In	22,270,854	22,270,854	22,270,854	-
Transfers Out	<u>(5,194,134)</u>	<u>(5,194,134)</u>	<u>(5,194,134)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>17,076,720</u>	<u>17,076,720</u>	<u>17,076,720</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 21,506,581</u>	<u>21,520,083</u>	24,386,658	<u>2,866,575</u>
Amount Budgeted on Project Basis			(28,047,674)	
Fund Balances - Beginning			<u>51,314,283</u>	
Fund Balances - Ending			<u>\$ 47,653,267</u>	

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

CITY OF LINCOLN, NEBRASKA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2020

	Business-Type Activities -- Enterprise Funds					Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds	Total	
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$ 4,510,615	6,208,887	25,462,000	12,210,287	48,391,789	15,730,310
Investments	11,828,552	17,470,655	129,076,000	17,415,487	175,790,694	45,290,172
Restricted Assets:						
Cash and Cash Equivalents	-	-	4,096,000	-	4,096,000	-
Investments	-	-	17,461,000	-	17,461,000	-
Receivables, (Net of Allowance for Uncollectibles)	2,510,740	3,421,529	20,568,000	3,507,681	30,007,950	354,044
Unbilled Revenues	3,301,060	5,529,418	14,899,000	-	23,729,478	-
Due from Other Funds	411,318	1,233,952	-	1,377,298	3,022,568	3,314,994
Due from Other Governments	-	-	-	18,639	18,639	248,208
Inventories	96,760	1,954,879	16,819,000	518,147	19,388,786	720,450
Plant Operation Assets	-	-	16,907,000	-	16,907,000	-
Prepaid Expenses	-	-	3,285,000	63,264	3,348,264	741,510
Total Current Assets	22,659,045	35,819,320	248,573,000	35,110,803	342,162,168	66,399,688
Noncurrent Assets:						
Investments	-	1,819,529	-	3,524,427	5,343,956	9,079,265
Costs Recoverable from Future Billings	738,329	297,413	3,926,000	-	4,961,742	-
Restricted Assets:						
Cash and Cash Equivalents	-	-	1,074,000	4,429,377	5,503,377	-
Investments	9,877,129	8,168,321	19,431,000	15,642,372	53,118,822	-
Receivables	-	-	-	58,707	58,707	-
Due from Other Funds	2,039,775	7,060,350	-	-	9,100,125	-
Total Restricted Assets	11,916,904	15,228,671	20,505,000	20,130,456	67,781,031	-
Capital Assets:						
Land	8,165,347	5,756,779	-	19,736,441	33,658,567	1,594,451
Buildings	81,564,453	86,701,688	-	82,759,080	251,025,221	22,198,573
Improvements Other Than Buildings	355,573,814	417,842,416	-	101,294,153	874,710,383	826,876
Machinery and Equipment	16,920,148	28,984,437	-	23,475,777	69,380,362	42,308,167
Utility Plant	-	-	1,683,877,000	-	1,683,877,000	-
Construction in Progress	26,664,366	9,309,601	85,899,000	4,737,805	126,610,772	-
Less Accumulated Depreciation	(171,934,704)	(183,386,897)	(825,789,000)	(85,977,432)	(1,267,088,033)	(32,769,946)
Total Capital Assets, Net	316,953,424	365,208,024	943,987,000	146,025,824	1,772,174,272	34,158,121
Total Noncurrent Assets	329,608,657	382,553,637	968,418,000	169,680,707	1,850,261,001	43,237,386
Total Assets	352,267,702	418,372,957	1,216,991,000	204,791,510	2,192,423,169	109,637,074
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Loss on Refunding	594,916	461,397	11,689,000	1,034,818	13,780,131	-
Deferred Outflows for Pension	-	-	-	1,335,881	1,335,881	-
Deferred Outflows for OPEB	55,744	79,751	-	108,715	244,210	118,486
Deferred Costs for Asset Retirement Obligations	-	-	3,374,000	-	3,374,000	-
Total Deferred Outflows of Resources	650,660	541,148	15,063,000	2,479,414	18,734,222	118,486

(Continued)

(Proprietary Funds, Statement of Net Position, continued)

	Business-Type Activities -- Enterprise Funds					Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds	Total	
LIABILITIES						
Current Liabilities:						
Accounts Payable	\$ 299,287	756,847	23,458,000	2,913,731	27,427,865	2,268,179
Construction Contracts	4,159,668	2,610,934	-	-	6,770,602	-
Accrued Liabilities	630,787	1,144,039	29,614,000	391,924	31,780,750	398,542
Accrued Compensated Absences	448,172	591,539	-	694,344	1,734,055	1,186,608
Due to Other Funds	57,523	78,504	-	234,885	370,912	270,412
Due to Other Governments	-	-	-	158,110	158,110	140
Unearned Revenue	-	-	-	5,428,554	5,428,554	7,338
Claims	-	-	-	-	-	4,675,753
Accrued Interest	578,443	90,392	9,457,000	84,550	10,210,385	82,644
Current Portion of Commercial Paper and Notes Payable	-	-	65,500,000	-	65,500,000	-
Current Portion of Capital Lease	22,328	-	-	426,660	448,988	1,095,000
Current Portion of Long-Term Debt	5,736,464	4,866,353	28,615,000	3,365,000	42,582,817	-
Current Portion of Total OPEB Liability	26,073	37,302	-	50,850	114,225	55,420
Total Current Liabilities	11,958,745	10,175,910	156,644,000	13,748,608	192,527,263	10,040,036
Noncurrent Liabilities:						
Accrued Compensated Absences	900,774	956,347	-	264,268	2,121,389	1,398,480
Claims	-	-	622,000	-	622,000	6,594,177
Capital Lease Payable	71,642	-	-	621,035	692,677	7,825,956
Long-Term Debt, Net	82,914,728	33,571,042	673,430,000	51,765,874	841,681,644	-
Accrued Liabilities	-	-	896,000	-	896,000	-
Net Pension Liability	-	-	-	4,672,843	4,672,843	-
Total OPEB Liability, Net	455,147	651,164	-	887,594	1,993,905	967,430
Accrued Landfill Closure/Postclosure Care Costs	-	-	-	25,117,000	25,117,000	-
Asset Retirement Obligation	-	-	3,374,000	-	3,374,000	-
Total Noncurrent Liabilities	84,342,291	35,178,553	678,322,000	83,328,614	881,171,458	16,786,043
Total Liabilities	96,301,036	45,354,463	834,966,000	97,077,222	1,073,698,721	26,826,079
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows for Pension	-	-	-	415,453	415,453	-
Deferred Inflows for OPEB	45,994	65,803	-	89,701	201,498	97,762
Total Deferred Inflows of Resources	45,994	65,803	-	505,154	616,951	97,762
NET POSITION						
Net Investment in Capital Assets	224,737,481	324,621,094	205,585,000	101,997,540	856,941,115	24,680,508
Restricted for:						
Debt Service	8,127,215	5,526,152	9,873,000	-	23,526,367	-
Capital Projects	2,039,775	7,060,350	-	7,570,944	16,671,069	-
Other	-	-	1,184,000	-	1,184,000	-
Unrestricted	21,666,861	36,286,243	180,446,000	120,064	238,519,168	58,151,211
Total Net Position	\$ 256,571,332	373,493,839	397,088,000	109,688,548	1,136,841,719	82,831,719

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, 2020

	Business-Type Activities -- Enterprise Funds					Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds	Total	
Operating Revenues						
Charges for Services	\$ 32,587,103	41,125,527	300,979,000	10,401,245	385,092,875	95,410,454
Fees	-	-	-	15,113,932	15,113,932	-
Parking Revenue	-	-	-	11,116,995	11,116,995	-
Performance Revenue	-	-	-	4,650,101	4,650,101	-
Other Operating Revenue	-	-	16,231,000	3,147,824	19,378,824	-
Total Operating Revenues	<u>32,587,103</u>	<u>41,125,527</u>	<u>317,210,000</u>	<u>44,430,097</u>	<u>435,352,727</u>	<u>95,410,454</u>
Operating Expenses						
Personal Services	-	-	-	14,176,814	14,176,814	17,840,919
Contractual Services	-	-	-	10,679,223	10,679,223	-
Operation and Maintenance	14,659,774	16,187,010	25,434,000	13,139,408	69,420,192	63,927,389
Purchased Power	-	-	121,801,000	-	121,801,000	-
Depreciation	9,328,595	8,819,477	54,153,000	6,392,550	78,693,622	3,687,782
Administrative Costs	2,390,133	3,247,173	44,828,000	-	50,465,306	-
Total Operating Expenses	<u>26,378,502</u>	<u>28,253,660</u>	<u>246,216,000</u>	<u>44,387,995</u>	<u>345,236,157</u>	<u>85,456,090</u>
Operating Income	<u>6,208,601</u>	<u>12,871,867</u>	<u>70,994,000</u>	<u>42,102</u>	<u>90,116,570</u>	<u>9,954,364</u>
Nonoperating Revenues (Expenses)						
Investment Earnings	857,076	791,260	5,020,000	696,473	7,364,809	651,265
Grant Revenue	-	-	-	261,512	261,512	-
Gain on Disposal of Capital Assets	-	-	-	18,835	18,835	28,939
Insurance Recoveries	-	517,953	-	290,410	808,363	-
Occupation Tax	-	-	-	3,964,450	3,964,450	-
Payments in Lieu of Taxes	-	-	(10,832,000)	-	(10,832,000)	-
Net Costs Recoverable	(65,556)	(49,337)	-	-	(114,893)	-
Interest Expense and Fiscal Charges	(2,607,841)	(1,136,740)	(24,360,000)	(1,694,367)	(29,798,948)	(243,668)
Other - Flood Recovery Costs	-	(1,768,596)	-	-	(1,768,596)	-
Total Nonoperating Revenues (Expenses)	<u>(1,816,321)</u>	<u>(1,645,460)</u>	<u>(30,172,000)</u>	<u>3,537,313</u>	<u>(30,096,468)</u>	<u>436,536</u>
Income Before Contributions and Transfers	4,392,280	11,226,407	40,822,000	3,579,415	60,020,102	10,390,900
Capital Contributions	3,627,082	5,723,823	755,000	26,855,485	36,961,390	3,629,720
Plant Costs Recovered through Capital Contributions	-	-	(755,000)	-	(755,000)	-
Transfers In	-	-	-	900,196	900,196	553,223
Transfers Out	(8,493)	(10,310)	(9,901,000)	(3,804,729)	(13,724,532)	(1,877,948)
Change in Net Position	<u>8,010,869</u>	<u>16,939,920</u>	<u>30,921,000</u>	<u>27,530,367</u>	<u>83,402,156</u>	<u>12,695,895</u>
Net Position - Beginning of Year	<u>248,560,463</u>	<u>356,553,919</u>	<u>366,167,000</u>	<u>82,158,181</u>	<u>1,053,439,563</u>	<u>70,135,824</u>
Net Position - Ending	<u>\$ 256,571,332</u>	<u>373,493,839</u>	<u>397,088,000</u>	<u>109,688,548</u>	<u>1,136,841,719</u>	<u>82,831,719</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, 2020

	Business-Type Activities -- Enterprise Funds					Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds	Total	
Cash Flows from Operating Activities						
Receipts from Customers and Users	\$ 31,771,485	38,348,097	331,075,000	40,858,466	442,053,048	23,824,341
Receipts from Interfund Services Provided	91,075	802,790	6,108,000	1,694,055	8,695,920	70,614,151
Payments to Suppliers for Goods and Services	(5,300,360)	(7,307,546)	(181,721,000)	(17,105,868)	(211,434,774)	(58,819,845)
Payments to Employees	(8,203,793)	(9,612,930)	(34,276,000)	(15,477,466)	(67,570,189)	(17,485,065)
Payments for Interfund Services Provided	(3,647,147)	(4,706,757)	(1,352,000)	(4,657,387)	(14,363,291)	(4,063,432)
Other Receipts	-	-	-	3,174,947	3,174,947	-
Net Cash Provided by Operating Activities	14,711,260	17,523,654	119,834,000	8,486,747	160,555,661	14,070,150
Cash Flows from Noncapital Financing Activities						
Occupation Tax	-	-	-	4,056,540	4,056,540	-
Payments in Lieu of Taxes	-	-	(11,071,000)	-	(11,071,000)	-
Insurance Recoveries	-	517,953	-	-	517,953	-
Transfers from Other Funds	-	-	-	900,196	900,196	553,223
Transfers to Other Funds	(8,493)	(10,310)	(9,897,000)	(3,804,729)	(13,720,532)	(1,877,948)
Advances from General Fund	-	-	-	61,685	61,685	-
Repayment of Advances from General Fund	-	-	-	(75,061)	(75,061)	-
Advances to Other Funds	(38,504)	(115,511)	-	(115,481)	(269,496)	(153,975)
Repayments from Other Funds	40,642	121,925	-	121,924	284,491	162,567
Grant Proceeds	-	-	-	261,512	261,512	-
Principal Payment of Long-Term Debt	-	-	-	(800,000)	(800,000)	-
Interest and Fiscal Charges Paid	-	-	-	(196)	(196)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(6,355)	514,057	(20,968,000)	606,390	(19,853,908)	(1,316,133)
Cash Flows from Capital and Related Financing Activities						
Additions to Capital Assets	(27,219,586)	(19,993,989)	(62,719,000)	(7,041,337)	(116,973,912)	(2,162,706)
Capital Contributions	758,707	2,197,692	755,000	1,069,890	4,781,289	-
Grant Proceeds	-	577,304	-	-	577,304	-
Proceeds from Sale of Capital Assets	-	-	-	18,835	18,835	173,214
Insurance Recoveries	-	322,315	-	438,118	760,433	-
Cost of Debt Issuance	-	-	(157,000)	(3,500)	(160,500)	-
Net Cost of Retiring Plant	-	-	(1,630,000)	-	(1,630,000)	-
Principal Payments of Capital Lease	(21,594)	-	-	(422,013)	(443,607)	(1,614,097)
Principal Payments of Long-Term Debt	(5,667,004)	(4,681,389)	(22,750,000)	(3,145,000)	(36,243,393)	-
Interest and Fiscal Charges Paid	(2,988,200)	(1,488,759)	(30,263,000)	(1,796,947)	(36,536,906)	(296,061)
Net Cash Used by Capital and Related Financing Activities	(35,137,677)	(23,066,826)	(116,764,000)	(10,881,954)	(185,850,457)	(3,899,650)
Cash Flows from Investing Activities						
Proceeds from Sale and Maturities of Investments	37,597,178	31,495,614	228,857,000	47,065,004	345,014,796	56,472,724
Purchases of Investments	(15,319,544)	(22,803,565)	(212,710,000)	(36,409,908)	(287,243,017)	(53,688,923)
Interest and Other Receipts	709,332	842,416	5,139,000	952,406	7,643,154	1,176,873
Net Cash Provided by Investing Activities	22,986,966	9,534,465	21,286,000	11,607,502	65,414,933	3,960,674
Net Increase in Cash and Cash Equivalents	2,554,194	4,505,350	3,388,000	9,818,685	20,266,229	12,815,041
Cash and Cash Equivalents - Beginning	1,956,421	1,703,537	27,244,000	6,820,979	37,724,937	2,915,269
Cash and Cash Equivalents - Ending	\$ 4,510,615	6,208,887	30,632,000	16,639,664	57,991,166	15,730,310

(Continued)

(Proprietary Funds, Statement of Cash Flows, continued)

	Business-Type Activities -- Enterprise Funds					Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds	Total	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities						
Operating Income	\$ 6,208,601	12,871,867	70,994,000	42,102	90,116,570	9,954,364
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	9,328,595	8,819,477	54,153,000	6,392,550	78,693,622	3,687,782
Other - Flood Recovery Costs	-	(1,768,596)	-	-	(1,768,596)	-
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:						
Accounts Receivable and Unbilled Revenues	297	(519,090)	988,000	274,768	743,975	(122,082)
Due from Other Funds	(726,340)	(1,489,949)	-	115,187	(2,101,102)	(723,741)
Due from Other Governments	-	-	-	11,991	11,991	(103,283)
Inventories	(58,865)	(333,760)	(3,007,000)	1,749	(3,397,876)	205,499
Plant Operation Assets	-	-	(4,429,000)	-	(4,429,000)	-
Prepaid Expenses	-	-	-	33,487	33,487	(53,808)
Other Assets	-	-	961,000	-	961,000	-
Deferred Outflows for Pension	-	-	-	432,824	432,824	-
Deferred Outflows for OPEB	(31,197)	(44,632)	-	(60,346)	(136,175)	(68,016)
Accounts Payable	(235,536)	(414,206)	1,916,000	(311,464)	954,794	(175,032)
Accrued Liabilities	(21,656)	75,801	(2,026,000)	(77,235)	(2,049,090)	46,666
Accrued Compensated Absences	136,190	171,487	-	38,361	346,038	272,907
Due to Other Funds	57,523	78,504	-	17,923	153,950	(31,191)
Due to Other Governments	-	-	-	(85,094)	(85,094)	(64,574)
Unearned Revenue	-	-	-	895,425	895,425	(22,855)
Claims	-	-	284,000	-	284,000	1,163,217
Net Pension Liability	-	-	-	(71,562)	(71,562)	-
Total OPEB Liability	43,274	61,910	-	75,480	180,664	122,429
Accrued Landfill Closure/Postclosure Care Costs	-	-	-	1,030,000	1,030,000	-
Deferred Inflows for Pension	-	-	-	(248,032)	(248,032)	-
Deferred Inflows for OPEB	10,374	14,841	-	(21,367)	3,848	(18,132)
Total Adjustments	8,502,659	4,651,787	48,840,000	8,444,645	70,439,091	4,115,786
Net Cash Provided by Operating Activities	<u>\$ 14,711,260</u>	<u>17,523,654</u>	<u>119,834,000</u>	<u>8,486,747</u>	<u>160,555,661</u>	<u>14,070,150</u>
Supplemental Disclosure of Noncash Investing, Capital, and Financing Activities:						
Contribution of Capital Assets	\$ 2,868,375	2,626,513	-	25,785,625	31,280,513	3,629,720
Capital Asset Trade-Ins	-	-	-	-	-	49,207
Purchase of Capital Assets on Account	4,159,668	2,610,934	2,643,000	(886,592)	8,527,010	556,657
Change in Fair Value of Investments	205,268	27,712	(817,000)	25,639	(558,381)	(235,670)
Allowance for Funds Used in Construction	-	-	1,425,000	-	1,425,000	-

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, 2020

	Police & Fire Pension Trust Fund	Agency Funds
	<u>Trust Fund</u>	<u>Funds</u>
ASSETS		
Cash and Cash Equivalents	\$ 4,254,175	5,079,769
Investments:		
Pooled Investment Funds	352,767	-
Mutual Funds	150,597,776	-
Limited Partnership	64,306,994	-
Real Estate Limited Partnerships	47,682,379	-
Total Investments	262,939,916	-
Receivables:		
Contributions	647,880	-
Accrued Interest	4,405	-
Other	-	758
Due from Other Governments	467	-
Contractor Retainage	-	56,101
Total Assets	<u>267,846,843</u>	<u>5,136,628</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows for OPEB	<u>776</u>	-
LIABILITIES		
Warrants Payable	-	1,901,255
Accounts Payable	14,718	379,616
Accrued Liabilities	4,042	-
Accrued Compensated Absences	18,474	-
Due to Other Governments	-	609,284
Total OPEB Liability	6,691	-
Due to Contractors	-	1,838,982
Due to Bondholders	-	117,926
Seized Cash	-	289,565
Total Liabilities	<u>43,925</u>	<u>5,136,628</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows for OPEB	<u>640</u>	
NET POSITION		
Net Position Restricted for Pensions	<u>\$ 267,803,054</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, 2020

	<u>Police & Fire Pension Trust Fund</u>
Additions:	
Contributions:	
Employer	\$ 8,755,322
Employee	3,576,557
Total Contributions	<u>12,331,879</u>
Investment Earnings:	
Interest	42,196
Dividends	2,702,561
Increase in Fair Value of Investments	24,759,525
Investment Earnings	27,504,282
Less Investment Expense	(343,701)
Net Investment Earnings	<u>27,160,581</u>
Total Additions	<u>39,492,460</u>
Deductions:	
Benefit Payments	17,568,464
Refunds of Contributions	392,038
Administrative Costs	372,326
Total Deductions	<u>18,332,828</u>
Change in Net Position	21,159,632
Net Position Restricted for Pensions - Beginning	<u>246,643,422</u>
Net Position Restricted for Pensions - Ending	<u>\$ 267,803,054</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, 2020

(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/Departments/Finance/Accounting/West-Haymarket-JPA

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, 2020. 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, 2019. The amounts included in the City's 2020 financial statements for LES are amounts as of and for the year ended December 31, 2019.

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, 2020

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, vehicle tax monies, impact fees, and state/federal aid.

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, 2020

Additionally, the City reports the following fund types:

Internal Service Funds account for data processing, engineering, risk management, fleet management, and municipal services center operations 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; good faith money due to contractors upon project completion; seized funds held for final court decisions of disbursement; 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.

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 and the City Investment Policy 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, 2020

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, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, drainage systems, streetlights, 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, *Accounting for Interest Cost Incurred*

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before the End of a Construction Period, 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.

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 refunding 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.

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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.

Fund Balances

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 \$35,336,798 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 \$215,411,129 of restricted net position, of which enabling legislation restricts \$44,905,151.

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

Due to the fiscal uncertainty resulting from the economic effects of the Covid-19 pandemic, the requirement that the City must adopt a budget for a biennial period is temporality suspended by adoption of Ordinance No. 20967. The City will adopt annual budgets for fiscal years 2020-21 and 2021-22. In 2022 the City will revert to adopting biennial budgets.

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 \$26,766,221 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, deferred outflows, liabilities, and deferred inflows 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

LES implemented the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations*, for its 2019 fiscal year. GASB 83 establishes standards for recognition and measurement of a liability for an asset retirement obligation and associated asset retirement cost. Prior to the implementation of GASB 83, LES recorded the associated asset retirement costs as a component of construction in progress. See Note 23 for further information on the LES asset retirement obligation. Because December 31st is the fiscal year-end of LES, the amounts as of and for the year ended December 31st, 2019, are included in the City's 2020 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 \$542,587,127 difference are as follows:

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Bonds Payable	\$ 409,076,495
Less issuance discounts	(988,582)
Plus issuance premiums	8,756,361
Plus deferred gain on refunding	803,271
Less deferred loss on refunding	(2,951,907)
Capital Leases Payable	21,299,428
Accrued Interest Payable	3,800,798
Net Pension Liability	71,221,833
Deferred Outflows for Pension	(14,886,337)
Deferred Inflows for Pension	4,403,322
Total OPEB Liability	16,947,839
Deferred Outflows for OPEB	(1,963,339)
Deferred Inflows for OPEB	1,619,943
Compensated Absences	25,288,970
Other	159,032
Net difference	<u>\$ 542,587,127</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 \$(636,882) difference are as follows:

Capital outlay	\$ 46,757,320
Depreciation expense	<u>(47,394,202)</u>
Net difference	<u>\$ (636,882)</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 \$23,233,609 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation refunding bonds	\$ (125,905,000)
Issuance premiums	(2,313,786)
Amortization of deferred premiums, discounts, and amounts from refundings	788,711
Gain on extinguishment of debt	170,995
Transfers to bond refunding agent	134,013,110
Principal repayments	<u>16,479,579</u>
Net difference	<u>\$ 23,233,609</u>

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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 \$(13,214,748) difference are as follows:

Loss on disposal of capital assets	\$ (10,539,678)
Construction contracts	(750,920)
Accrued interest	500,564
Compensated absences	(2,443,172)
Other	18,458
Net difference	<u>\$ (13,214,748)</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, 2020, are as follows:

Fund Account	Parking System	Solid Waste Management	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Total
Principal and Interest	\$ -	-	1,150,029	314,703	18,947,000	20,411,732
Reserve	-	1,117,084	6,977,186	5,211,450	18,980,000	32,285,720
Surplus	-	-	3,789,689	9,702,518	-	13,492,207
Renewal and Replacement	2,564,487	-	-	-	-	2,564,487
Capital Construction and Equipment	16,382,806	66,079	-	-	-	16,448,885
Customer/Developer Deposits	-	-	-	-	2,163,000	2,163,000
Claims	-	-	-	-	1,972,000	1,972,000
Total	<u>\$ 18,947,293</u>	<u>1,183,163</u>	<u>11,916,904</u>	<u>15,228,671</u>	<u>42,062,000</u>	<u>89,338,031</u>

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

(4) DEPOSITS AND INVESTMENTS

DEPOSITS

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

State Statutes 15-846 and 15-847 R.R.S., 1943 require banks either to provide a bond or may give security as provided in the Public Funds Deposit Security Act 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).

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The City's cash deposits, including certificates of deposit, are insured up to \$250,000 by the FDIC. Any 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, and thus no custodial risk exists. 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.

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, 2020.

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.

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At August 31, 2020, the City had the following investments, maturities, credit ratings, and fair value measurement:

	August 31, 2020							
	Maturities in Years							
Type	Carrying Value	Less than 1	1-5	6-10	More than 10	Credit Rating Moody's	S&P	Hierarchy Level
General City:								
U.S. Treasury Obligations	\$ 138,615,562	128,639,358	9,976,204	-	-	Aaa	AA+	2
U.S. Sponsored Agency Obligations	195,581,325	115,923,129	75,822,598	3,835,598	-	Aaa	AA+	2
Commercial Issuers (Commercial Paper)	64,488,000	64,488,000	-	-	-	P1	A1	2
Commercial Issuers (Commercial Paper)	12,775,000	12,775,000	-	-	-	P2	A2	2
Municipal Bonds	1,017,870	1,017,870	-	-	-	Aa1	AAA	2
Municipal Bonds	1,130,548	1,130,548	-	-	-	Aaa	AA+	2
Municipal Bonds	2,039,700	2,039,700	-	-	-	Aa2	AA	2
Municipal Bonds	1,021,940	1,021,940	-	-	-	Aaa	AAA	2
Municipal Bonds	1,134,364	1,134,364	-	-	-	Aa1	AA(Fitch)	2
Municipal Bonds	1,400,238	1,400,238	-	-	-	Aa2	AA-	2
Corporate Bonds	20,532,000	20,532,000	-	-	-	P1	A1	2
Money Market Funds - U.S. Treasury	1,460,284	-	1,460,284	-	-	Aaa-mf	AAA-m	N/A
Money Market Funds - U.S. Agencies	8,070,934	8,070,934	-	-	-	Aaa-mf	AAA-m	N/A
Money Market Funds	26,307,000	26,307,000	-	-	-	Aaa-mf	Not rated	N/A
Money Market Funds	50,940,000	50,940,000	-	-	-	Not Rated	Not Rated	N/A
External Investment Trust	36,500,000	35,000,000	1,500,000	-	-	Not rated	Not rated	N/A
Tax Increment Financing Investments	8,182,002	4,292	850,581	3,153,038	4,174,091	Not rated	Not rated	2
Equities	4,648,978	4,648,978	-	-	-	Not rated	Not rated	1
Total General City	575,845,745	475,073,351	89,609,667	6,988,636	4,174,091			
Community Health Endowment:								
Money Market Mutual Funds	306	306	-	-	-	Not Rated	Not Rated	N/A
Institutional funds *								
Fixed income	8,175,077	-	1,192,778	6,972,093	10,206	Not Rated	Not Rated	NAV
Intermediate term credit	2,943,268	-	2,943,268	-	-	Not Rated	Not Rated	NAV
Large cap equity	13,901,622	13,901,622	-	-	-	Not Rated	Not Rated	NAV
International equity	16,011,245	16,011,245	-	-	-	Not Rated	Not Rated	NAV
High-yield bonds	7,461,053	-	-	7,461,053	-	Not Rated	Not Rated	NAV
Emerging markets equity	3,749,235	3,749,235	-	-	-	Not Rated	Not Rated	NAV
Mid cap equity	2,451,317	2,451,317	-	-	-	Not Rated	Not Rated	NAV
U.S. Treasuries	4,383,084	-	4,383,084	-	-	Not Rated	Not Rated	NAV
Small cap equity	309,995	309,995	-	-	-	Not Rated	Not Rated	NAV
Commodities	3,605,427	3,605,427	-	-	-	Not Rated	Not Rated	NAV
Real Estate	56,314	56,314	-	-	-	Not Rated	Not Rated	NAV
Limited Partnership	35,303	35,303	-	-	-	Not Rated	Not Rated	NAV
Total Community Health Endowment:	63,083,246	40,120,764	8,519,130	14,433,146	10,206			
Police & Fire Pension Trust:								
Mutual Funds	150,597,776	150,597,776	-	-	-	Not rated	Not rated	1
Limited Partnership	64,306,994							NAV
Real Estate Limited Partnerships	47,682,379							NAV
Total Police & Fire Pension Trust	262,587,149							
Total Primary Government	\$ 901,516,140							

* The investment in the institutional funds is at the fund level. Additional detail has been presented to provide information on diversification within the fund. The fund is open-ended and therefore is not subject to credit risk disclosures. CHE's fixed income institutional funds have a weighted-average maturity of 4.68 years at August 31, 2020. The equity security institutional funds are redeemable immediately thus not subject to interest rate risk.

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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, 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, 2020 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 no 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 can exceed 10 years as the interest rates are guaranteed by the fund and the investment is made within the City's funds.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy establishes requirements for certain investment securities to be rated at certain rates or higher without having collateral pledged to the City. The following investment types must be rated at the minimum rates noted below:

	<u>S&P</u>	<u>Moody's</u>
Money Markets	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 Federal Investment Trust (NFIT) and Short-Term Federal Investment Trust (STFIT) funds. These Funds are carried by the City at amortized cost. NFIT 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.

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

Type	Portfolio Composition	Policy Limits on Issuer
U.S. agency obligations:		
Federal Home Loan Bank	12.44 %	40.00 %
Federal Home Loan Mortgage Corporation	8.86	40.00
Federal National Mortgage Association	3.30	40.00
Federal Farm Credit Bank	9.36	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, 2020.

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, except for U.S. Treasury and U.S. agencies obligations.

Foreign Currency Risk. This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. CHE had no investment denominated in foreign currency at August 31, 2020.

CITY OF LINCOLN, NEBRASKA
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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.

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 can 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, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>
Developed Equity	40.0 %
Emerging Markets Equity	5.0
Private Equity	10.0
Fixed Rate Debt (Intermediate)	10.0
Floating Rate Public Debt	5.0
Private Credit	5.0
Low Volatility Hedge Funds	10.0
Private Real Estate	<u>15.0</u>
Total	<u>100.0 %</u>

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

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

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

CITY OF LINCOLN, NEBRASKA
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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	27.57 %
American New Perspective R6	11.37
RREEF America REIT II	10.16
J.P. Morgan Core Bond Fund	9.97
Dodge and Cox Global Stock Fund	8.24
Prudential PRISA III LP	5.41

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

TenaskaTPF II, LP - \$66,521
Aberdeen U.S. Private Equity VI - \$101,822
Greenspring Partners IX-B - \$3,097,500
Warburg Pincus Global Growth - \$2,576,000
Weathergage Venture Capital IV - \$840,000
Golub Capital Partners International Fund 11 - \$500,000
Principal Real Estate Debt Fund II - \$1,018,103
OHA Tactical Opportunities Fund (Offshore) - \$2,839,078
Varde Dislocation Fund Offshore - \$2,700,000

Summary of Deposit and Investment Balances

Following is a reconciliation of the City's deposit and investment balances as of August 31, 2020:

	Totals		
Investments	\$		
Deposits and Cash on Hand		954,453,877	
	\$	954,453,877	
	Government-wide Statement of Net Position	Fiduciary Funds Statement of Net Position	Totals
Cash and Cash Equivalents	\$ 116,775,028	9,333,944	126,108,972
Investments	448,065,790	262,939,916	711,005,706
Restricted Assets:			
Cash and Cash Equivalents	9,599,377	-	9,599,377
Investments	107,739,822	-	107,739,822
	\$ 682,180,017	272,273,860	954,453,877

CITY OF LINCOLN, NEBRASKA
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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 Governmental Funds	Total
	General Fund	Street Construction	West Haymarket JPA		
Fund Balances:					
Nonspendable:					
Inventory	\$ 67,420	702,031	-	967,027	1,736,478
Prepaid Items	221,164	-	3,953	-	225,117
Permanent Fund Principal	-	-	-	37,160,000	37,160,000
Total Nonspendable	288,584	702,031	3,953	38,127,027	39,121,595
Restricted For:					
Capital Improvements	1,460,284	41,196,466	1,055,211	30,849,764	74,561,725
Human Services	1,589,491	-	-	-	1,589,491
Donor Purposes	4,521,725	-	-	4,585,143	9,106,868
Agency Activities	-	-	1,381,497	-	1,381,497
Land Purchases	-	-	-	3,019,959	3,019,959
Social Security Obligations	-	-	-	1,562,900	1,562,900
Community Betterment	-	-	-	5,648,216	5,648,216
Federal Loan Programs	-	-	-	19,166,627	19,166,627
Special Assessment Improvements	-	-	-	338,520	338,520
Debt Service	-	-	-	6,680,318	6,680,318
Health Care	-	-	-	26,766,221	26,766,221
Claims Contingencies	-	-	-	865,000	865,000
Library Media	-	-	-	920,299	920,299
Street Maintenance	-	-	-	993,993	993,993
Total Restricted	7,571,500	41,196,466	2,436,708	101,396,960	152,601,634
Committed To:					
Public Access Television	-	-	-	269,582	269,582
Debt Service	-	-	-	657,857	657,857
Total Committed	-	-	-	927,439	927,439
Assigned To:					
Capital Improvements	-	10,237,970	-	-	10,237,970
Donor Purposes	1,007,694	-	-	-	1,007,694
Public Improvements	16,829	-	-	395,186	412,015
Athletic Facility Improvements	1,056,785	-	-	-	1,056,785
Senior Care	2,343,728	-	-	-	2,343,728
Emergency Communications	3,168,843	-	-	-	3,168,843
Economic Development Projects	5,225,182	-	-	-	5,225,182
Debt Service	-	-	36,133,906	-	36,133,906
Land Purchases	-	-	-	230,455	230,455
Public Access Television	-	-	-	123,346	123,346
Library Services	-	-	-	3,752,365	3,752,365
Health Care	-	-	-	5,350,094	5,350,094
Social Security Obligations	-	-	-	522,648	522,648
Public Transportation	-	-	-	3,119,623	3,119,623
Community Betterment	-	-	-	356,912	356,912
Building Code Enforcement	-	-	-	10,306,476	10,306,476
Park Projects	-	-	-	222,070	222,070
Subsequent Year's Appropriated Fund Balance	914,176	-	-	-	914,176
Other Purposes	241,525	-	-	-	241,525
Total Assigned	13,974,762	10,237,970	36,133,906	24,379,175	84,725,813
Unassigned	46,934,528	-	-	(339,815)	46,594,713
Total Fund Balances	\$ 68,769,374	52,136,467	38,574,567	164,490,786	323,971,194

CITY OF LINCOLN, NEBRASKA
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(6) RECEIVABLES AND DUE FROM OTHER GOVERNMENTS

Receivables at August 31, 2020, consist of the following (in thousands):

Fund	Taxes	Accounts	Accrued Interest	Loans	Special Assessment		Contributions	Gross Receivables	Allowance For Uncollectibles	Net
					Current	Deferred				
General	\$ 4,706	1,651	711	-	-	-	-	7,068	-	7,068
Street Construction	-	217	-	-	-	-	-	217	-	217
West Haymarket JPA	1,381	903	189	-	-	-	-	2,473	-	2,473
Wastewater System	-	5,812	-	-	-	-	-	5,812	-	5,812
Water System	-	8,951	-	-	-	-	-	8,951	-	8,951
Electric System	-	36,397	1,096	-	-	-	-	37,493	2,026	35,467
Nonmajor -										
Special Revenue	1,622	649	100	22,237	-	-	-	24,608	2,830	21,778
Debt Service	1,443	113	22	-	337	1,675	-	3,590	145	3,445
Capital Projects	-	-	50	-	-	-	-	50	-	50
Permanent	-	-	6	-	-	-	-	6	-	6
Enterprise	-	7,096	63	-	-	-	-	7,159	3,593	3,566
Internal Service	-	339	15	-	-	-	-	354	-	354
Fiduciary	-	1	4	-	-	-	648	653	-	653
Total	\$ 9,152	62,129	2,256	22,237	337	1,675	648	98,434	8,594	89,840

Enterprise funds customer accounts receivable include unbilled charges for services. Delinquent special assessment receivables at August 31, 2020, were \$143,615.

The total of Due From Other Governments of \$32,070,775 includes the following significant items:

Fund/Fund Type	Amount	Service
General/Major Governmental	\$14,973,317	State of Nebraska, July/August Sales & Use Tax
	664,899	August Motor Vehicle Taxes Collected by Lancaster County
	8,114	August Property Tax Interest Collected by Lancaster County
	302,540	Federal Government, Cost Reimbursements
	144,613	Lancaster County, Cost Reimbursements
Street Construction/Major Governmental	5,866,684	State of Nebraska, July/August Highway User Fees
	129,157	State of Nebraska, Cost Reimbursements
	256,979	Federal Government, Cost Reimbursements
West Haymarket JPA/Major Governmental	766,242	Federal Government, Cost Reimbursements
StarTran/Special Revenue	95,884	Federal Government, Cost Reimbursements
	511,218	State of Nebraska, Cost Reimbursements
Federal Grants/Special Revenue	2,435,096	Federal Government, Cost Reimbursements
	296,186	State of Nebraska, Cost Reimbursements
Vehicle Tax Residual Revenue/Special Revenue	935,030	August Motor Vehicle Taxes Collected by Lancaster County
Special Assessment/Debt Service	19,409	August Special Assessments Collected by Lancaster County
Lincoln On The Move/Capital Projects	2,504,933	State of Nebraska, July/August Sales & Use Tax
Vehicle Tax/Capital Projects	935,030	August Motor Vehicle Taxes Collected by Lancaster County
Storm Sewer Bonds/Capital Projects	165,228	Federal Government, Cost Reimbursements
	264,315	Natural Resource District, Share of Project
Other Capital Projects/Capital Projects	305,549	Federal Government, Cost Reimbursements
Solid Waste Management/Enterprise	18,115	State of Nebraska Billings
Information Services/Internal Service	213,041	Lancaster County Billings
Police Garage/Internal Service	27,322	State of Nebraska Billings
Subtotal	31,838,901	
LPS Asset Bank Balance	216,300	
All other	15,574	
Total Due From Other Governments	\$32,070,775	

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2020

(7) CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental Activities:					
Capital Assets, not being Depreciated:					
Land	\$ 172,113,975	6,033,692	10,503,286	-	167,644,381
Construction in Progress	98,401,281	23,647,378	50,473,830	(4,671,098)	66,903,731
Total Capital Assets, not being Depreciated	270,515,256	29,681,070	60,977,116	(4,671,098)	234,548,112
Capital Assets, being Depreciated:					
Buildings	372,421,148	17,836,771	222,324	-	390,035,595
Improvements Other Than Buildings	144,499,014	3,191,979	92,990	-	147,598,003
Machinery and Equipment	131,062,242	14,175,329	6,318,585	-	138,918,986
Infrastructure	1,021,546,440	46,722,045	121,192	-	1,068,147,293
Total Capital Assets, being Depreciated	1,669,528,844	81,926,124	6,755,091	-	1,744,699,877
Less Accumulated Depreciation for:					
Buildings	82,208,503	8,785,819	215,611	-	90,778,711
Improvements Other Than Buildings	53,208,471	4,495,557	90,385	-	57,613,643
Machinery and Equipment	75,363,163	8,417,002	6,110,809	-	77,669,356
Infrastructure	380,942,546	29,383,606	112,960	-	410,213,192
Total Accumulated Depreciation	591,722,683	51,081,984	6,529,765	-	636,274,902
Total Capital Assets, being Depreciated, Net	1,077,806,161	30,844,140	225,326	-	1,108,424,975
Governmental Activities Capital Assets, Net	\$ 1,348,321,417	60,525,210	61,202,442	(4,671,098)	1,342,973,087
Business-type Activities:					
Capital Assets, not being Depreciated:					
Land	\$ 32,485,031	1,173,536	-	-	33,658,567
Construction in Progress	160,577,862	112,753,904	146,720,994	-	126,610,772
Total Capital Assets, not being Depreciated	193,062,893	113,927,440	146,720,994	-	160,269,339
Capital Assets, being Depreciated:					
Buildings	246,940,123	4,327,781	242,683	-	251,025,221
Improvements Other Than Buildings	820,962,828	49,085,006	8,549	4,671,098	874,710,383
Machinery and Equipment	65,617,584	4,492,268	729,490	-	69,380,362
Utility Plant	1,570,474,000	117,009,000	3,606,000	-	1,683,877,000
Total Capital Assets, being Depreciated	2,703,994,535	174,914,055	4,586,722	4,671,098	2,878,992,966
Less Accumulated Depreciation for:					
Buildings	106,289,240	5,289,539	242,682	-	111,336,097
Improvements Other Than Buildings	269,406,411	15,683,329	8,550	-	285,081,190
Machinery and Equipment	41,895,773	3,567,754	581,781	-	44,881,746
Utility Plant	776,872,000	54,153,000	5,236,000	-	825,789,000
Total Accumulated Depreciation	1,194,463,424	78,693,622	6,069,013	-	1,267,088,033
Total Capital Assets, being Depreciated, Net	1,509,531,111	96,220,433	(1,482,291)	4,671,098	1,611,904,933
Business-type Activities Capital Assets, Net	\$ 1,702,594,004	210,147,873	145,238,703	4,671,098	1,772,174,272

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
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Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General Government	\$ 1,813,769
Public Safety	4,020,471
Streets and Highways, including Infrastructure	28,699,178
Culture and Recreation	10,460,691
Economic Opportunity	45,396
Health and Welfare	353,087
Mass Transit	2,001,610
Subtotal	<u>47,394,202</u>
Internal Service Funds Capital Assets	
Depreciation is charged to the various functions based on usage of the assets.	<u>3,687,782</u>
Total Depreciation Expense - Governmental	<u>\$ 51,081,984</u>

Business-type Activities:

Golf	\$ 450,824
Parking System	2,103,781
Pinnacle Bank Arena	82,319
Solid Waste Management	2,306,732
Emergency Medical Services	315,488
Broadband Enterprise	1,133,406
Wastewater System	9,328,595
Water System	8,819,477
Lincoln Electric System	<u>54,153,000</u>
Total Depreciation Expense - Business-type	<u>\$ 78,693,622</u>

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

	Beginning Balances	Increases	Decreases	Ending Balances
Lincoln Wastewater System:				
Capital Assets, not being Depreciated:				
Land	\$ 7,891,881	273,466	-	8,165,347
Construction in Progress	10,897,334	25,953,626	10,186,594	26,664,366
Total Capital Assets, not being Depreciated	<u>18,789,215</u>	<u>26,227,092</u>	<u>10,186,594</u>	<u>34,829,713</u>
Capital Assets, being Depreciated:				
Buildings	81,564,453	-	-	81,564,453
Improvements Other Than Buildings	343,691,965	11,881,849	-	355,573,814
Machinery and Equipment	15,058,013	1,862,135	-	16,920,148
Total Capital Assets, being Depreciated	<u>440,314,431</u>	<u>13,743,984</u>	<u>-</u>	<u>454,058,415</u>
Less Accumulated Depreciation for:				
Buildings	37,981,670	1,807,397	-	39,789,067
Improvements Other Than Buildings	115,627,621	6,644,704	-	122,272,325
Machinery and Equipment	8,996,818	876,494	-	9,873,312
Total Accumulated Depreciation	<u>162,606,109</u>	<u>9,328,595</u>	<u>-</u>	<u>171,934,704</u>
Total Capital Assets, being Depreciated, Net	<u>277,708,322</u>	<u>4,415,389</u>	<u>-</u>	<u>282,123,711</u>
Wastewater System Capital Assets, Net	<u>\$ 296,497,537</u>	<u>30,642,481</u>	<u>10,186,594</u>	<u>316,953,424</u>

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2020

	Beginning Balances	Increases	Decreases	Ending Balances
Lincoln Water System:				
Capital Assets, not being Depreciated:				
Land	\$ 5,756,709	70	-	5,756,779
Construction in Progress	6,202,940	19,602,542	16,495,881	9,309,601
Total Capital Assets, not being Depreciated	11,959,649	19,602,612	16,495,881	15,066,380
Capital Assets, being Depreciated:				
Buildings	83,073,962	3,627,726	-	86,701,688
Improvements Other Than Buildings	402,949,280	14,893,136	-	417,842,416
Machinery and Equipment	28,281,595	702,842	-	28,984,437
Total Capital Assets, being Depreciated	514,304,837	19,223,704	-	533,528,541
Less Accumulated Depreciation for:				
Buildings	35,878,681	1,629,391	-	37,508,072
Improvements Other Than Buildings	118,913,907	6,010,856	-	124,924,763
Machinery and Equipment	19,774,832	1,179,230	-	20,954,062
Total Accumulated Depreciation	174,567,420	8,819,477	-	183,386,897
Total Capital Assets, being Depreciated, Net	339,737,417	10,404,227	-	350,141,644
Water System Capital Assets, Net	\$ 351,697,066	30,006,839	16,495,881	365,208,024
	Beginning Balances	Increases	Decreases	Ending Balances
Lincoln Electric System:				
Capital Assets, not being Depreciated:				
Construction in Progress	\$ 141,489,000	63,049,000	118,639,000	85,899,000
Capital Assets, being Depreciated:				
Utility Plant	1,570,474,000	117,009,000	3,606,000	1,683,877,000
Less Accumulated Depreciation	776,872,000	54,153,000	5,236,000	825,789,000
Total Capital Assets, being Depreciated, Net	793,602,000	62,856,000	(1,630,000)	858,088,000
Electric System Capital Assets, Net	\$ 935,091,000	125,905,000	117,009,000	943,987,000

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

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 2019 was 3.2 percent.

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2020

(8) INTERFUND BALANCES AND ACTIVITY

Balances Due To/From Other Funds at August 31, 2020, consist of the following:

Due To	Due From								Total
	General Fund	Street Construction	West Haymarket JPA	Lincoln Wastewater System	Lincoln Water System	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	
General Fund	\$ -	98,121	-	57,523	78,504	1,191,282	214,049	184,684	1,824,163
Street Construction	1,233,952	-	-	-	-	13,261,958	-	-	14,495,910
Lincoln Wastewater System	411,318	-	-	-	-	2,039,775	-	-	2,451,093
Lincoln Water System	1,233,952	-	-	-	-	7,060,350	-	-	8,294,302
Nonmajor Governmental	2,262,243	-	-	-	-	1,661,343	-	-	3,923,586
Nonmajor Enterprise	1,234,804	11,964	117,598	-	-	1,442	11,490	-	1,377,298
Internal Service	2,629,924	535,940	-	-	-	54,056	9,346	85,728	3,314,994
Total	\$ 9,006,193	646,025	117,598	57,523	78,504	25,270,206	234,885	270,412	35,681,346

“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, 2020, consist of the following:

Transfer To	Transfer From								Total
	General Fund	Street Construction	West Haymarket JPA	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Nonmajor Governmental	Nonmajor Enterprise	
General Fund	\$ -	61,553	-	8,493	10,310	10,002,528	707,759	2,098,918	13,066,630
Street Construction	3,789,493	-	-	-	-	-	18,469,874	11,487	22,270,854
West Haymarket JPA	-	-	-	-	-	-	378,000	-	378,000
Nonmajor Governmental	25,305,143	5,132,581	-	-	-	-	8,802,575	1,694,324	42,479,502
Nonmajor Enterprise	-	-	800,196	-	-	-	-	-	900,196
Internal Service	497,223	-	-	-	-	-	-	-	553,223
Total	\$ 29,591,859	5,194,134	800,196	8,493	10,310	10,002,528	28,358,208	3,804,729	79,648,405

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.

On the fund statements, because the governmental funds do not record capital assets, the movement of capital assets from governmental to enterprise funds are shown as capital contributions. On the government-wide Statement of Activities these transactions are recorded as transfers and shown netted with other operating transfers. The current year reassignment of capital assets amounted to \$4,875,094.

The \$101,528 variance for transfers on the Statement of Activities is caused by the different fiscal year end dates used by the City (August 31) and Lincoln Electric System (December 31). Lincoln Electric System records an estimate for payments of return on equity as an accrued liability at December 31. The City, however, receives the payments before the August 31 fiscal year end, and records the total amount as a transfer in.

CITY OF LINCOLN, NEBRASKA
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(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, 2019, LES had \$65.5 million of 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, 2019, was 1.55%. The outstanding commercial paper notes are secured by a revolving credit agreement. There were no advances outstanding under the credit agreement at December 31, 2019. The revolving credit agreement which secures LES' commercial paper program also includes a note purchase agreement which provides LES the ability to borrow monies on a short-term basis. There was \$1,500,000 outstanding under the note purchase agreement as of December 31, 2019. Amounts outstanding under the note purchase agreement reduce the amount available under the revolving credit agreement. 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 2019 was 93 days.

Subsequent to the close of 2019, LES executed two short-term debt transactions. On March 20, 2020 LES drew \$35,000,000 on the JPMorgan Chase Bank, National Association Note Purchase Agreement. The amount was then subsequently used to paydown \$35,000,000 of outstanding notes under LES' commercial paper program on April 1 and April 2, 2020. Also, on April 2, 2020 LES made a taxable draw of \$35,000,000 on its revolving credit agreement with U.S. Bank National Association. Funds drawn on the revolving credit agreement are available for operating or capital needs.

Commercial paper activity for the year ended December 31, 2019, is as follows:

	Beginning			Ending	Due Within
Lincoln Electric System:	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Commercial Paper Notes	\$ <u>65,500,000</u>	<u>294,750,000</u>	<u>(294,750,000)</u>	<u>65,500,000</u>	<u>65,500,000</u>

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 \$2,447,999, \$3,379,238, \$1,168,310, and \$342,628 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, streetlights, 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:

CITY OF LINCOLN, NEBRASKA
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	Governmental Activities	Business-Type Activities
Land	\$ 1,780,066	\$ 199,546
Buildings	28,996,161	1,647,945
Improvements	5,070,465	-
Infrastructure	33,552,416	-
Machinery and Equipment	10,988,333	3,293,849
Less Accumulated Depreciation, (where applicable)	<u>(25,618,098)</u>	<u>(2,787,426)</u>
Total	<u>\$ 54,769,343</u>	<u>\$ 2,353,914</u>

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

In November 2019, the WHJPA issued \$100,000,000 of General Obligation Facility Refunding Bonds, Taxable Series 2019. The bond proceeds, together with other Agency funds, were used to provide for payment of the principal and interest on the \$100,000,000 outstanding General Obligation Facility Bonds, Series 2011, through the redemption date of December 15, 2021, and to redeem any remaining balance of the Series 2011 bonds on that redemption date. The refunding resulted in debt service savings of \$26,858,383 and net present value savings of \$21,041,793. At August 31, 2020, \$100,000,000 of Series 2011 Bonds remain outstanding.

In August 2020, the City issued \$4,140,000 of General Obligation Stormwater Drainage and Flood Management Refunding Bonds, Series 2020 with an average interest rate of 5.000% to refund \$5,130,000 of General Obligation Stormwater Bonds, Series 2011, on the redemption date of August 20, 2020. The City completed the refunding to reduce its total debt service payments by \$1,031,4076 and net present value savings of \$1,005,851.

In August 2020, the City issued \$21,765,000 of Limited Tax General Obligation Arena Refunding Bonds, Series 2020 with an average interest rate of 1.909%. The bond proceeds were used to provide for payment of the principal and interest on the \$20,440,000 outstanding Limited Tax General Obligation Arena Bonds, Series 2013, through the redemption date of July 15, 2023, and to redeem any remaining balance of the Series 2013 bonds on that redemption date. The City completed the refunding to reduce its total debt service payments by \$3,119,065 and net present value savings of \$2,800,916. At August 31, 2020, \$20,440,000 of Series 2013 Bonds remain outstanding.

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.

CITY OF LINCOLN, NEBRASKA
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Long-term bonded debt of the City is comprised of the following individual issues (in thousands of dollars):

Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
Governmental Activities:							
General Obligation Bonds:							
General Bonds:							
\$ 8,090	06/26/12	Refunding Bonds	1.000 - 3.000	Serial 2013 to 2023	---	Semiannually	\$ 1,960
6,385	03/20/13	Stormwater Bonds	2.000 - 4.000	Serial 2014 to 2029	2023	"	4,225
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	---	"	3,025
6,300	06/28/16	Stormwater Bonds	2.000 - 3.000	Serial 2017 to 2036	2026	"	5,470
4,345	09/20/17	Stormwater Refunding Bonds	2.000 - 5.000	Serial 2018 to 2027	---	"	3,310
9,900	08/08/19	Stormwater Bonds	2.750 - 5.000	Serial 2020 to 2039	2029	"	9,900
4,140	08/20/20	Stormwater Refunding Bonds	5.00	Serial 2021 to 2030	---	"	4,140
Total General Bonds							<u>\$ 33,545</u>
Tax Allocation Bonds:							
\$ 601	06/01/07	Tax Allocation Bonds	5.240	Serial 2008 to 2018	Anytime	Semiannually	\$ 342
42	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2021	Anytime	"	4
71	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2017	Anytime	"	12
547	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	101
200	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	29
3,375	07/28/09	Tax Allocation Bonds	2.500 - 6.400	Serial 2011 to 2023	Anytime	"	1,275
263	04/01/11	Tax Allocation Bonds	3.990	Serial 2011 to 2022	Anytime	"	61
103	04/15/13	Tax Allocation Bonds	2.370	Serial 2013 to 2025	Anytime	"	45
140	07/01/16	Tax Allocation Bonds	2.200	Serial 2016 to 2028	Anytime	"	99
600	12/01/16	Tax Allocation Bonds	2.300	Serial 2018 to 2021	Anytime	"	235
110	05/01/17	Tax Allocation Bonds	2.740	Serial 2018 to 2024	Anytime	"	71
128	03/15/19	Tax Allocation Bonds	3.090	Serial 2020 to 2034	Anytime	"	127
Total Tax Allocation Bonds							<u>\$ 2,401</u>
Tax Supported Bonds:							
\$ 28,095	06/06/12	Highway Allocation Fund Refunding	1.000 - 5.000	Serial 2012 to 2023	---	Semiannually	\$ 11,220
14,735	12/15/16	Highway Allocation Fund Refunding	2.000 - 5.000	Serial 2018 to 2027	2026	"	10,790
21,765	08/20/20	Limited Tax Arena Refunding Bonds	.200 - 3.000	Serial 2021 to 2037	2030	"	21,765
Total Tax Supported Bonds							<u>\$ 43,775</u>
Special Assessment Bonds:							
\$ 825	08/18/11	Special Assessment	0.400 - 3.700	Serial 2012 to 2026	2016	Semiannually	\$ 365
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	"	1,835
Total Special Assessment Bonds							<u>\$ 2,575</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
20,850	12/04/13	Facility Bonds	2.000 - 5.000	Serial 2014 to 2038	2023	"	17,470
7,325	12/04/13	Facility Bonds	4.500	Term 2043	2023	"	7,325
88,270	11/21/19	Facility Refunding Bonds	2.375 - 3.050	Serial 2022 to 2040	2029	"	88,270
11,730	11/21/19	Facility Refunding Bonds	3.250	Term 2042	2029	"	11,730
Total West Haymarket Joint Public Agency Bonds							<u>\$ 324,795</u>
TOTAL GENERAL OBLIGATION BONDS							<u>\$ 407,091</u>

CITY OF LINCOLN, NEBRASKA
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Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
Business-Type Activities:							
Revenue Bonds:							
\$ 38,290	05/24/12	Wastewater Revenue Refunding	1.000 - 5.000	Serial 2013 to 2028	2023	Semiannually	\$ 21,000
12,220	04/09/15	Wastewater Revenue Refunding	1.000 - 4.000	Serial 2016 to 2030	2025	"	8,605
13,235	09/13/17	Wastewater Revenue Refunding	2.000 - 5.000	Serial 2018 to 2032	2027	"	11,345
20,120	07/24/19	Wastewater Revenue Bonds	2.000 - 5.000	Serial 2020 to 2040	2029	"	19,420
2,760	07/24/19	Wastewater Revenue Bonds	3.00	Term 2042	2029	"	2,760
2,925	07/24/19	Wastewater Revenue Bonds	3.00	Serial 2043 to 2044	2029	"	2,925
		Total Wastewater Bonds					<u>\$ 66,055</u>
\$ 10,895	06/21/12	Water Revenue Refunding	1.000 - 4.000	Serial 2013 to 2022	---	Semiannually	2,215
28,595	05/30/13	Water Revenue Refunding	1.000 - 5.000	Serial 2014 to 2025	2023	"	12,610
10,170	08/20/19	Water Revenue Refunding	2.750 - 5.000	Serial 2020 to 2039	2029	"	9,705
		Total Water Bonds					<u>\$ 24,530</u>
\$ 48,375	07/11/19	General Obligation Parking System and Refunding Bonds	2.300 - 3.000 3.00	Serial 2020 to 2035 Term 2039	2029 2029	Semiannually "	\$ 39,405 6,655
		Total Parking Bonds					<u>\$ 46,060</u>
\$ 8,340	02/26/13	Solid Waste Management Revenue and Refunding	0.250 - 4.000	Serial 2013 to 2029	2023	Semiannually	\$ 3,895
5,520	07/08/15	Solid Waste Management Revenue	2.000 - 5.000	Serial 2016 to 2035	2025	"	4,370
		Total Solid Waste Management Bonds					<u>\$ 8,265</u>
\$ 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	"	118,475
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	"	65,960
121,205	07/01/18	Electric Revenue Bonds	3.000 - 5.000	Serial 2025 to 2034	2027	"	121,205
		Total Electric Bonds					<u>\$ 640,045</u>
		TOTAL REVENUE BONDS					<u>\$ 784,955</u>

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

Fiscal Year Ended August 31	Governmental Activities					
	General Obligation Bonds		Note from Direct Borrowing		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 14,471	16,952	130	39	4,809	893
2022	14,737	16,537	132	36	4,862	746
2023	19,231	15,885	135	33	4,258	600
2024	18,636	15,136	137	31	4,390	460
2025	15,915	14,466	140	28	3,360	313
2026 - 2030	75,947	63,222	744	97	7,780	415
2031 - 2035	77,819	48,559	567	23	400	8
2036 - 2040	82,900	32,090	-	-	-	-
2041 - 2045	75,725	12,762	-	-	-	-
2046 - 2050	11,710	344	-	-	-	-
Total	<u>\$ 407,091</u>	<u>235,953</u>	<u>1,985</u>	<u>287</u>	<u>29,859</u>	<u>3,435</u>

Fiscal Year Ended August 31	Business-Type Activities					
	Revenue Bonds		Loans/Note from Direct Borrowing		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 40,700	32,939	1,882	601	449	25
2022	42,195	31,087	1,923	560	346	16
2023	43,050	29,241	1,964	519	139	9
2024	45,010	27,254	2,006	477	143	5
2025	46,195	25,557	2,049	434	61	1
2026 - 2030	221,890	100,227	10,926	1,493	-	-
2031 - 2035	238,415	53,625	7,574	349	-	-
2036 - 2040	87,710	13,298	-	-	-	-
2041 - 2045	19,790	997	-	-	-	-
Total	<u>\$ 784,955</u>	<u>314,225</u>	<u>28,324</u>	<u>4,433</u>	<u>1,138</u>	<u>56</u>

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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 Year Ended August 31	Major Enterprise Funds					
	Wastewater System		Water System		Electric System	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 5,758	2,784	4,866	1,176	28,615	28,039
2022	5,939	2,594	4,702	1,013	30,045	26,608
2023	6,146	2,382	3,862	857	31,455	25,201
2024	6,353	2,154	3,994	736	33,020	23,636
2025	6,575	1,916	3,620	583	34,250	22,404
2026 - 2030	29,332	6,003	7,482	1,718	175,955	90,070
2031 - 2035	11,464	2,610	7,000	456	217,770	49,081
2036 - 2040	6,225	1,424	-	-	74,830	11,367
2041 - 2045	5,685	433	-	-	14,105	564
Total	\$ 83,477	22,300	35,526	6,539	640,045	276,970

Long-term liability activity for the year ended August 31, 2020, was as follows (in thousands of dollars):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bond, Notes, and Leases Payable:					
General Bonds	\$ 40,685	4,140	(11,280)	33,545	2,925
Tax Allocation Bonds	3,009	-	(608)	2,401	641
Tax Supported Bonds	47,290	21,765	(25,280)	43,775	5,200
Special Assessment Debt with Government Commitment	2,765	-	(190)	2,575	195
West Haymarket Joint Public Agency Bonds	325,400	100,000	(100,605)	324,795	5,510
Note from Direct Borrowing	2,112	-	(127)	1,985	130
Capital Leases	35,433	-	(5,574)	29,859	4,809
Gross Bonds and Leases Payable	456,694	125,905	(143,664)	438,935	19,410
Deferred Amounts:					
For Issuance Premiums	13,895	2,314	(7,092)	9,117	-
For Issuance Discounts	(988)	-	-	(988)	-
Net Bonds, Notes, and Leases Payable	469,601	128,219	(150,756)	447,064	19,410
Other Liabilities:					
Compensated Absences	25,158	12,666	(9,950)	27,874	11,260
Construction Contracts	-	1,032	(281)	751	-
Claims and Judgements	10,107	37,350	(36,187)	11,270	4,676
Net Pension Liability	74,070	-	(2,848)	71,222	-
Total OPEB Liability	15,966	2,005	-	17,971	974
Governmental Activities Long-Term Liabilities	\$ 594,902	181,272	(200,022)	576,152	36,320
Business-Type Activities:					
Bonds, Loans, Note, and Leases Payable:					
Wastewater Revenue Bonds	\$ 70,540	-	(4,485)	66,055	4,530
Wastewater Loans from Direct Borrowing	18,510	-	(1,182)	17,328	1,206
Water Revenue Bonds	28,550	-	(4,020)	24,530	4,190
Water Loan from Direct Borrowing	11,657	-	(661)	10,996	676
Electric System Revenue Bonds	662,795	-	(22,750)	640,045	28,615
Parking Revenue Bonds	48,375	-	(2,315)	46,060	2,515
Solid Waste Management Revenue Bonds	9,095	-	(830)	8,265	850
Pinnacle Bank Arena Note from Direct Borrowing	800	-	(800)	-	-
Capital Leases	1,582	-	(444)	1,138	449
Gross Bonds, Loans, Note, and Leases Payable	851,904	-	(37,487)	814,417	43,031
Deferred Amounts:					
For Issuance Premiums	77,208	-	(7,719)	69,489	-
Net Bonds, Loans, Note, and Leases Payable	929,112	-	(45,206)	883,906	43,031
Other Liabilities:					
Compensated Absences	3,509	1,941	(1,595)	3,855	1,734
Construction Contracts	7,386	6,771	(7,386)	6,771	6,771
Note Purchase Agreement	1,500	-	-	1,500	-
Developer Performance Deposits	646	250	-	896	-
Claims and Judgements	588	34	-	622	-
Net Pension Liability	4,744	-	(71)	4,673	-
Total OPEB Liability	1,927	181	-	2,108	114
Accrued Landfill Closure/Postclosure Care Costs	24,087	1,030	-	25,117	-
Asset Retirement Obligation	3,256	132	(14)	3,374	-
Business-Type Activities Long-Term Liabilities	\$ 976,755	10,339	(54,272)	932,822	51,650

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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 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, 2020, was as follows (in thousands of dollars):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lincoln Wastewater System:					
Bonds and Loans Payable:					
Wastewater Revenue Bonds	\$ 70,540	-	(4,485)	66,055	4,530
Wastewater Loans from Direct Borrowing	18,510	-	(1,182)	17,328	1,206
Capital Leases	116	-	(22)	94	22
Deferred for Issuance Premiums	5,739	-	(471)	5,268	-
Net Bonds and Loans Payable	94,905	-	(6,160)	88,745	5,758
Other Liabilities:					
Compensated Absences	1,213	541	(405)	1,349	448
Construction Contracts	4,485	4,160	(4,485)	4,160	4,160
Total OPEB Liability	438	43	-	481	26
Total Long-Term Liabilities	\$ 101,041	4,744	(11,050)	94,735	10,392
Lincoln Water System:					
Bonds and Loan Payable:					
Water Revenue Bonds	\$ 28,550	-	(4,020)	24,530	4,190
Water Loan from Direct Borrowing	11,657	-	(661)	10,996	676
Deferred for Issuance Premiums	3,330	-	(418)	2,912	-
Net Bonds and Loan Payable	43,537	-	(5,099)	38,438	4,866
Other Liabilities:					
Compensated Absences	1,376	687	(515)	1,548	592
Construction Contracts	2,901	2,611	(2,901)	2,611	2,611
Total OPEB Liability	627	61	-	688	37
Total Long-Term Liabilities	\$ 48,441	3,359	(8,515)	43,285	8,106
Lincoln Electric System:					
Bonds Payable:					
Electric System Revenue Bonds	\$ 662,795	-	(22,750)	640,045	28,615
Deferred for Issuance Premiums	67,262	-	(6,762)	60,500	-
Net Bonds Payable	730,057	-	(29,512)	700,545	28,615
Other Liabilities:					
Note Purchase Agreement from Direct Borrowing	1,500	-	-	1,500	-
Developer Performance Deposits	646	250	-	896	-
Claims and Judgements	588	34	-	622	-
Asset Retirement Obligation	3,256	132	(14)	3,374	-
Total Long-Term Liabilities	\$ 736,047	416	(29,526)	706,937	28,615

DEVELOPER PURCHASED TAX INCREMENT FINANCING NOTES AND BONDS

At August 31, 2020, \$89,911,171 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

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

CONDUIT DEBT

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

The Bonds are limited obligations of the City and are payable solely from payments to be made by NWU pursuant to a loan agreement dated January 1, 2012, by and between the City and NWU. The Bonds shall not be a charge against the City's general credit or taxing powers. The Bonds shall never constitute an indebtedness of the City within the meaning of any constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the City, thus these bonds are not reflected in the City's financial statements. At August 31, 2020, \$13,265,000 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, 2020, which discloses the nature and amount of the adjustments necessary to convert the actual GAAP data to the budgetary basis, is presented below:

	<u>General Fund</u>	<u>Street Construction Fund</u>
Net Change in Fund Balances:		
Balance on a GAAP basis	\$ 4,598,368	(3,284,138)
Basis differences (accruals) occur because the cash basis of accounting used for budgeting differs from the modified accrual basis of accounting prescribed for governmental funds.	(1,630,400)	(376,878)
Perspective differences occur when the structure used for budgeting differs from the fund structure used for financial reporting.	(1,458,191)	-
Amount budgeted on a project basis.	<u>-</u>	<u>28,047,674</u>
Balance on a budget basis	<u>\$ 1,509,777</u>	<u>24,386,658</u>

(11) DEFICIT NET POSITION OR FUND BALANCE

The following fund had a fund balance deficit as of August 31, 2020:

Special Revenue – Lincoln Bike Share Fund	\$ (339,815)
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The Lincoln Bike Share Fund fund balance deficit is due to large startup costs of the Lincoln Bike Share Program.

CITY OF LINCOLN, NEBRASKA
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(12) **EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

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

General Fund	
Street Lighting	\$ 1,175,964
Debt Service	19,380

(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 or out-of-class pay, 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%.

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 normal retirement age and 10 or more years of service.

Amount of Pension –

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

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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 normal 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 pension 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 prorata 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 - Pension which would have been payable as a non-duty disability awarded the day prior to death and elected option A (joint and 100% survivor).

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.

CITY OF LINCOLN, NEBRASKA
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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

Employee contributions are credited with regular interest earned each calendar month with the actual earnings on investments of the Police and Fire Pension Fund. 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 any time 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, 2020, is \$8,613,591.

Membership of the pension plan consisted of the following at August 31, 2020, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	549
Terminated plan members entitled to	
but not yet receiving benefits	25
Active plan members (non-DROP)	607
Death benefit refund due	2
DROP members	45
Total	1,228
Number of participating employers	1

Funding Policy – The contribution requirements of plan members and the City are established by City Ordinance and may be amended by the City Council. Plan members are required to contribute between 7% and 8% of their annual covered salary based on an election made by the employee. It is recommended that the City contribute an actuarially determined amount; the contribution amount for fiscal year 2020 was \$8,422,965. For the fiscal year ended August 31, 2020, the Plan received \$8,490,046 in employer contributions.

Actuarial Methods and Assumptions – The annual required contribution for the current year was determined as part of the August 31, 2018, 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 payroll on a closed basis over a remaining period of layered bases varying from twenty to twenty-six years.

CITY OF LINCOLN, NEBRASKA
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Net Pension Liability

Total pension liability	\$ 343,087,750
Plan fiduciary net position	<u>(267,193,074)</u>
Net pension liability	<u><u>\$ 75,894,676</u></u>

Plan fiduciary net position as a percentage
of the total pension liability 77.88%

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, 2020
Measurement date August 31, 2020

Assumptions

The total pension liability as of August 31, 2020, was determined by an actuarial valuation performed as of August 31, 2020, using the following key actuarial assumptions:

Price inflation	2.25%
Salary increases, including wage inflation	2.75% to 8.25%
Long-term Rate of Return, net of investment expense, including price inflation	7.40%
Municipal Bond Index Rate	2.11%
Single Equivalent Interest Rate, net of investment expense, including price inflation	7.40%
Post-retirement adjustment	COLA benefit payments are assumed to increase 2.25% each year.
Mortality	Mortality rates are based on the PubS-2010 Mortality Tables for Actives, Healthy Annuitants, and Disabled, with generational mortality improvement using the Nebraska Public Employees Retirement System Mortality Improvement Scale.

The actuarial assumptions that determined the total pension liability as of August 31, 2020 were based on the results of the most recent actuarial experience study for the four-year period ending August 31, 2018.

Discount Rate

The discount rate used to measure the total pension liability at August 31, 2020, was 7.40%, which is a change from the discount rate of 7.45% used to measure the total pension liability at August 31, 2019. 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. Administrative expenses in the prior year were projected forward with price inflation as an estimate for administrative expenses in current and future years. The portion of expenses in future years allocated to the current members was based on the proportionate share of covered payroll in each year for the remainder of the existing members to the total covered payroll for all members. 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 7.40% was applied to all

CITY OF LINCOLN, NEBRASKA
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periods of projected benefit payments to determine the total pension liability. Future benefit payments for all current pension members were projected through 2119.

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 7.40% long-term assumed rate of return for the current measurement date and the 7.45% long-term assumed rate of return for the prior measurement date were 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, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Developed Equity	40.0 %	5.0 %
Emerging Markets Equity	5.0	5.9
Private Equity	10.0	8.0
Fixed Rate Debt (Intermediate)	10.0	1.4
Floating Rate Public Debt	5.0	3.3
Private Credit	5.0	4.2
Low Volatility Hedge Funds	10.0	2.9
Private Real Estate	15.0	4.9
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 7.40%, as well as the City's net pension liability calculated using a discount rate that is 1 percentage point lower (6.40%) or 1 percentage point higher (8.40%) than the current rate.

	<u>1% Decrease 6.40%</u>	<u>Current Discount Rate 7.40%</u>	<u>1% Increase 8.40%</u>
Total Pension Liability \$	385,509,440	343,087,750	307,688,623
Fiduciary Net Position	<u>267,193,074</u>	<u>267,193,074</u>	<u>267,193,074</u>
Net Pension Liability \$	118,316,366	75,894,676	40,495,549

Rate of Return - For the year ended August 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.11 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

FPF 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.

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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 Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at August 31, 2019	\$ 325,109,208	246,294,314	78,814,894
Changes for the year:			
Service cost at end of year	7,359,480	-	7,359,480
Interest on TPL	23,577,966	-	23,577,966
Difference between expected and actual experience	2,693,155	-	2,693,155
Assumption changes	1,916,405	-	1,916,405
Employer contributions	-	8,490,046	(8,490,046)
Employee contributions	-	3,576,557	(3,576,557)
Net investment income	-	26,911,382	(26,911,382)
Benefit payments, including member refunds	(17,568,464)	(17,568,464)	-
Administrative expenses	-	(510,761)	510,761
Net changes	17,978,542	20,898,760	(2,920,218)
Balances at August 31, 2020	\$ 343,087,750	267,193,074	75,894,676

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Deferred Outflows and Inflows of Resources

Deferred Outflows of Resources As of August 31, 2020	
Differences between expected and actual experience	\$ 4,704,437
Changes of assumptions	10,997,928
Change in the City's proportion of the collective net pension liability since the prior measurement date	150,768
Change in the Emergency Medical Services Fund's proportion of the collective net pension liability since the prior measurement date	<u>369,085</u>
Total	<u>\$ 16,222,218</u>

Deferred Inflows of Resources As of August 31, 2020	
Differences between expected and actual experience	\$ 1,427,402
Changes of assumptions	1,940,327
Differences between projected and actual earnings	931,193
Change in the City's proportion of the collective net pension liability since the prior measurement date	369,085
Change in the Emergency Medical Services Fund's proportion of the collective net pension liability since the prior measurement date	<u>150,768</u>
Total	<u>\$ 4,818,775</u>

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> <u>Ending August 31</u>	<u>Deferred</u> <u>Outflows</u> <u>of Resources</u>	<u>Deferred</u> <u>Inflows</u> <u>of Resources</u>	<u>Net Deferred</u> <u>Outflows/Inflows</u> <u>of Resources</u>
2021	\$ 4,206,861	(3,545,587)	661,274
2022	3,577,626	159,407	3,737,033
2023	3,436,514	511,811	3,948,325
2024	3,295,738	(1,907,901)	1,387,837
2025	1,568,674	(33,959)	1,534,715
Thereafter	<u>136,805</u>	<u>(2,546)</u>	<u>134,259</u>
	<u>\$ 16,222,218</u>	<u>(4,818,775)</u>	<u>11,403,443</u>

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Pension Expense

The calculation of the pension expense for the year ended August 31, 2020, is shown below:

Pension Expense	
For the Fiscal Year Ended August 31, 2020	
Service cost at end of year	\$ 7,359,480
Interest on the total pension liability	23,577,966
Expensed portion of current-period differences between expected and actual experience in the total pension liability	435,786
Expensed portion of current-period assumption changes	310,098
Employee contributions	(3,576,557)
Projected earnings on plan investments	(18,128,978)
Expensed portion of current-period differences between projected and actual earnings on plan investments	(1,756,481)
Administrative expenses	510,761
Amortization of beginning deferred outflows of resources	5,034,701
Amortization of beginning deferred inflows of resources	(4,431,457)
Total Pension Expense	<u>\$ 9,335,319</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, 2019, LES incurred contribution expense of approximately \$4,580,000 and its employees contributed approximately \$3,918,000.

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 12% of compensation for employees hired prior to May 1, 2011, with no required contribution by the employee. For those hired subsequent to that date, the employee contributes 6% of compensation with an employer match of 6%. Employees covered by the Plan may also make voluntary contributions. Participant accounts are immediately 100% vested. City contributions totaled \$178,937 and employee contributions totaled \$71,088. There were no voluntary employee contributions made for the year ended December 31, 2019.

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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, 2019, the City incurred contribution expense totaling \$8,477,535, which included a reduction in expense of \$195,646 for employee forfeitures. Employee contributions totaled \$4,919,454. Employees made \$169,577 in voluntary contributions for the year ended December 31, 2019.

(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. There are no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB 75 in connection with the 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.

The following table summarizes the membership of the OPEB plan as of August 31, 2018 for members in payment and as of April 30, 2019 for active members. Active data was not available retroactively, thus the valuation was ran as of the date census data was provided. This was the data used in the valuation to develop the August 31, 2019 total OPEB liability:

Retired members	47
Spouses of retired members	12
Surviving spouses	4
Active employees	<u>2,008</u>
Total	<u><u>2,071</u></u>
Number of participating employers	<u><u>1</u></u>

Actuarial Methods and Assumptions

The total OPEB liability of \$20,085,510 at August 31, 2020 was measured at August 31, 2019. An actuarial valuation was prepared as of August 31, 2018 for members in payment under the plan, and for active members an actuarial valuation was prepared as of April 30, 2019, rolled backward 8 months using standard actuarial formulae. The total OPEB liability is based on the following actuarial assumptions and other inputs:

<u>Price Inflation</u>	2.50%
<u>Municipal Bond Index Rate</u>	3.16% (Bond Buyer General Obligation 20-year Municipal Bond Index Rate)
<u>Healthcare Cost Trend Rate</u>	7.25%, decreasing by 0.25% per year until an ultimate rate of 4.75% is reached in 2028.

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Cost-Sharing Premiums

Premiums, effective as of November 1, 2018, were trended forward to the valuation date, April 30, 2019 for active members, and backward to August 31, 2018 for members in pay. Civilian premium rates were based on the base plan and the combined rate for Police and Fire was based on an average of the Police group and the Fire group.

	<u>Police/Fire</u>	<u>Civilians</u>
<u>Premiums trended to August 31, 2018</u>		
Retiree	\$9,846	\$8,791
Spouse	\$12,013	\$10,724
<u>Premiums trended to April 30, 2019</u>		
Retiree	\$10,317	\$9,211
Spouse	\$12,586	\$11,236

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 April 30, 2019 valuation date for actives and August 31, 2018 valuation date for members in pay 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 (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of DROP participation, etc.) used in the 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 7.25% in 2018 and trending downward to 4.75% in 2028, as well as the total OPEB liability calculated using trend rates that are 1% lower or 1% higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 17,735,036	20,085,510	22,879,769

The following presents the total OPEB liability of the plan, calculated using the discount rate of 3.16% (3.96% 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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>2.16%</u>	<u>3.16%</u>	<u>4.16%</u>
Total OPEB Liability	\$ 22,028,622	20,085,510	18,324,406

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Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at Beginning of Year	\$ 17,899,234
Changes for the year:	
Service cost at end of year	1,071,230
Interest on total OPEB liability	689,255
Assumption changes	1,423,068
Benefit payments	<u>(997,277)</u>
Net changes	<u>2,186,276</u>
Balance at End of Year	\$ <u>20,085,510</u>

The assumption changes, shown above, are due to the change in the discount rate from 3.96% to 3.16% 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, 2020, is shown below:

OPEB Expense
Year Ending August 31, 2020

Service cost at end of year	\$ 1,071,230
Interest on the total OPEB liability	689,255
Expensed portion of current-period assumption changes	184,574
Amortization of beginning deferred inflows of resources	<u>(383,904)</u>
Total OPEB Expense	\$ <u>1,561,155</u>

Deferred Outflows and Inflows of Resources

Deferred Outflows of Resources
As of August 31, 2020

Benefit payments subsequent to the measurement date	\$ 1,088,317
Changes of assumptions	<u>1,238,494</u>
Total	\$ <u>2,326,811</u>

Deferred Inflows of Resources
As of August 31, 2020

Differences between expected and actual experience	\$ 169,028
Changes of assumptions	<u>1,750,815</u>
Total	\$ <u>1,919,843</u>

CITY OF LINCOLN, NEBRASKA
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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 total OPEB liability in the fiscal year ending August 31, 2021. Amounts reported as Deferred Outflows of Resources resulting from changes of assumptions and Deferred Inflows of Resources related to OPEB will be recognized in OPEB expense in future years as follows:

Fiscal Year Ending August 31	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows/Inflows of Resources
2021	\$ 184,574	(383,904)	(199,330)
2022	184,574	(383,904)	(199,330)
2023	184,574	(383,904)	(199,330)
2024	184,574	(383,904)	(199,330)
2025	184,574	(291,962)	(107,388)
Thereafter	315,624	(92,265)	223,359
	<u>\$ 1,238,494</u>	<u>(1,919,843)</u>	<u>(681,349)</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 \$1,373,000.

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 \$816,425 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 2019 tax levy, for the 2019-2020 fiscal year, was \$176,324,311 below the legal limit, with a tax rate per \$100 valuation of \$0.3198. The assessed value upon which the 2019 levy was based was \$23,267,163,467.

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 2019-2020 are recorded as revenue in the fund financial

CITY OF LINCOLN, NEBRASKA
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statements when expected to be collected within 60 days after August 31, 2020. Prior-year levies were recorded using these same principles, and remaining receivables are re-evaluated annually. Property taxes expected to be collected after 60 days are recorded as unavailable revenue on the fund balance sheets.

The City-owned electric utility is required by City Charter to make payments in lieu of taxes, aggregating 5% of its gross retail operating revenues derived from within the city limits of incorporated cities and towns served. 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, 2020, 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 \$100,000 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 \$100,000. 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 \$11,269,930 were recorded at August 31, 2020, which do not include claims relating to Lincoln Electric System's self-funded health and dental insurance programs. Excluding medical care claims approximating \$1,759,000, 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

CITY OF LINCOLN, NEBRASKA
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allocation to specific claims. These liabilities have been discounted using a 0.65% discount rate. The City has purchased no annuity contracts in the current fiscal year to resolve City of Lincoln claims.

The following is a summary of the changes in the estimated claims liability for the years ended August 31, 2020 and 2019:

	Worker's Compensation and Others	Long-Term Disability	Health and Dental	Total
Balance at August 31, 2019	\$ 7,620,000	794,933	1,691,780	10,106,713
Current year claims and changes in estimates	2,889,652	161,824	34,298,698	37,350,174
Claims payments	(1,814,652)	(140,332)	(34,231,973)	(36,186,957)
Balance at August 31, 2020	\$ 8,695,000	816,425	1,758,505	11,269,930

	Worker's Compensation and Others	Long-Term Disability	Health and Dental	Total
Balance at August 31, 2018	\$ 8,075,000	718,344	2,539,029	11,332,373
Current year claims and changes in estimates	2,825,007	230,169	33,316,392	36,371,568
Claims payments	(3,280,007)	(153,580)	(34,163,641)	(37,597,228)
Balance at August 31, 2019	\$ 7,620,000	794,933	1,691,780	10,106,713

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:

	2019	2018
Balance beginning of year	\$ 588,000	532,000
Claims and fees incurred	6,246,000	6,194,000
Claims paid/other	(6,212,000)	(6,138,000)
Balance end of year	\$ 622,000	588,000

As required by state statute, LES maintains an incurred but not reported claims reserve which is actuarially determined, the balance of which was \$622,000 and \$588,000 at December 31, 2019 and 2018, 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, 2020, approximately 95% 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.

CITY OF LINCOLN, NEBRASKA
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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 \$12,641,000 as of August 31, 2020, which will be financed primarily through highway user fees, bond proceeds, federal and state grants, and developer contributions.

WEST HAYMARKET JOINT PUBLIC AGENCY

In connection with the West Haymarket Development Project, the 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 of the contamination or the applicable regulatory requirements. No liability has been recorded for potential future remediation activities as of August 31, 2020.

LINCOLN WASTEWATER SYSTEM

The Lincoln Wastewater System has commitments under major construction contracts in progress of approximately \$8,456,000 as of August 31, 2020.

LINCOLN WATER SYSTEM

The Lincoln Water System has commitments under major construction contracts in progress of approximately \$7,655,000 as of August 31, 2020.

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 55 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.

During 2019, LES had a participation contract in one existing Nebraska Public Power District (NPPD) coal-fired power plant that provided for an entitlement of eight percent (109 MW) of the output of the Gerald Gentleman Station Power Plant (GGS) (nominally rated 1,365 MW).

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LES is responsible for its respective participating interests in GGS 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 the plant is operating or operable.

The participation contract for GGS 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 \$7,143,000 in 2019.

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

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 \$24,260,000 as of December 31, 2019. 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, 2020, the City had incurred a liability of approximately \$16,585,000 for the municipal solid waste landfill which represents the amount of costs reported to date based on the approximately 63% of landfill capacity used to date. The remaining estimated liability for these costs is approximately \$9.8 million, which will be recognized as the remaining capacity is used (estimated to be approximately 15 years).

As of August 31, 2020, the City had incurred a liability of approximately \$1,472,000 for the construction and demolition debris landfill which represents the amount of costs reported to date based on the approximately 40% of landfill capacity used to date. The remaining estimated liability for these costs is approximately \$2,225,000, which will be recognized as the remaining capacity is used (estimated to be approximately 32 years).

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

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

CITY OF LINCOLN, NEBRASKA
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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, 2020, a liability for closure and postclosure care costs is recorded in the amount of approximately \$7,060,000. 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.

(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 Transportation & 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 Transportation & 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, 2020, is presented as follows:

CITY OF LINCOLN, NEBRASKA
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	Parking Facilities	Solid Waste Management
CONDENSED STATEMENT OF NET POSITION		
Assets:		
Current Assets, excluding Due from Other Funds	\$ 10,586,061	10,646,173
Due from Other Funds	836,778	424,133
Other Assets	20,508,799	2,509,707
Capital Assets, Net	69,360,175	28,150,449
Total Assets	101,291,813	41,730,462
Deferred Outflows of Resources	1,031,078	29,297
Liabilities:		
Current Liabilities, excluding Due to Other Funds	4,272,290	1,834,457
Due to Other Funds	44,825	30,270
Noncurrent Liabilities	43,880,883	33,319,534
Total Liabilities	48,197,998	35,184,261
Deferred Inflows of Resources	1,279	19,808
Net Position:		
Net Investment in Capital Assets	34,257,757	20,272,279
Restricted	7,504,865	66,079
Unrestricted	12,360,992	(13,782,668)
Total Net Position	\$ 54,123,614	6,555,690
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION		
Operating Revenues	\$ 11,847,572	10,331,272
Depreciation Expense	(2,098,028)	(2,306,732)
Other Operating Expenses	(5,042,333)	(10,321,247)
Operating Income (Loss)	4,707,211	(2,296,707)
Nonoperating Revenues (Expenses):		
Investment Earnings	554,212	109,155
Grant Proceeds	-	111,832
Gain on Disposal of Capital Assets	-	15,735
Insurance Recovery	93,514	190,854
Occupation Tax	-	3,796,783
Interest Expense and Fiscal Charges	(1,385,638)	(281,700)
Capital Contributions	1,000,000	69,890
Transfers	(2,095,026)	(1,580,282)
Change in Net Position	2,874,273	135,560
Beginning Net Position	51,249,341	6,420,130
Ending Net Position	\$ 54,123,614	6,555,690
CONDENSED STATEMENT OF CASH FLOWS		
Net Cash Provided (Used) by:		
Operating Activities	\$ 6,141,214	1,134,903
Noncapital Financing Activities	(2,090,730)	2,422,570
Capital and Related Financing Activities	(8,430,173)	(2,722,142)
Investing Activities	9,434,812	1,236,960
Net Increase in Cash	5,055,123	2,072,291
Beginning Balance	1,844,089	518,378
Ending Balance	\$ 6,899,212	2,590,669

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 2044. The total principal and interest remaining to be paid is \$105,675,255 with annual payments expected to require 39% of net revenues. Principal and interest paid for the current year and net system revenues were \$8,527,128 and \$17,152,979, 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 \$42,064,208, with annual payments expected to require 27% of net revenues. Principal and interest paid for the current year and net system revenues were \$6,170,148 and \$24,758,800, 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 \$917,015,000, with annual payments expected to require 39% of net revenues. Principal and interest paid for the current year and net system revenues were \$53,482,000 and \$127,961,000, 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 from the net earnings of the Parking System and are payable through 2039. The total principal and interest remaining to be paid on the bonds is \$56,921,223, with annual payments expected to require 37% of net revenues. Principal and interest paid for the current year and net system revenues were \$3,748,440 and \$7,359,451, 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 \$10,261,592, with annual payments expected to require 33% of net revenues. Principal and interest paid for the current year and net system revenues were \$1,156,967 and \$3,365,681 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, 2020, the City made rental payments of approximately \$3.0 million to the Commission.

CITY OF LINCOLN, NEBRASKA
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As of August 31, 2020, the Commission has debt outstanding of \$28,720,857. 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, 2020, 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 the community redevelopment/TIF projects. The state statutes for community redevelopment/TIF are found in Nebraska Revised Statutes 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, 2035.

During the fiscal year ended August 31, 2020 the City abated \$1,829,096 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 (Nebraska Revised Statute 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 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.

During the fiscal year ended August 31, 2020 the City abated \$1,164,989 in sales tax revenue under these two programs.

CITY OF LINCOLN, NEBRASKA
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(23) JOINTLY OWNED FACILITIES

Laramie River Station (LRS)

LES is a 12.76% share 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 \$53.5 million are reflected in utility plant at December 31, 2019.

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 \$1.5 million at December 31, 2019.

GASB Statement No. 83 "Certain Asset Retirement Obligations" established accounting standards for recognition and measurement of a liability for an asset retirement obligation and associated asset retirement cost. In accordance with this standard, LES, as a participant in the Missouri Basin Power Project, recognizes asset retirement obligations for the reclamation of wells, landfills and ash ponds. LES recorded the following amounts as asset retirement obligations, which is offset with a deferred outflow of resources, on the Statement of Net Position.

Asset Retirement Obligations (in thousands):

Obligation, December 31, 2018	\$ 3,256
Additional obligations	-
Accretion	132
Liabilities settled	(14)
Obligation, December 31, 2019	<u>\$ 3,374</u>

LES has a participation power sales agreement with the County of Los Alamos, New Mexico (the County) whereby the County purchases from LES approximately 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 2019 LES billed the County approximately \$2.1 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%, or 103 MW 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 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 \$123.2 million are reflected in utility plant at December 31, 2019.

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2020

(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 \$1,770,000 in 2019. The total amount of payments to LES for energy was approximately \$741,000 in 2019.

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 \$133,000 in 2019. The total amount of payments to LES for energy was approximately \$7.9 million in 2019.

(25) **SUBSEQUENT EVENTS**

In January 2020, Lincoln Electric System issued \$72,200,000 of Revenue Bonds, Series 2020A. The bond proceeds were used to reimburse Lincoln Electric System for previously incurred capital expenditures, to fund a deposit into the 2020A Debt Service Fund, and to pay certain costs and expenses relating to the issuance of the Series 2020A Bonds.

In September 2020, Lincoln Electric System issued \$185,150,000 of Revenue Refunding Bonds, Series 2020B. The bond proceeds were used to defease, pay and redeem certain outstanding obligations of the 2012 and 2015 bonds, to fund a deposit into the 2020B Debt Service Reserve Fund, and to pay certain costs and expenses relating to the issuance of the Series 2020B Bonds. The refunding resulted in net present value savings of approximately \$16,400,000.

In February 2021, a polar vortex brought prolonged frigid temperatures to much of the United States. These prolonged frigid temperatures created a significant increase in energy demand while also posing some operating challenges to certain generating facilities. As a result, the supply of energy was projected to fall short of the demand and many utilities were asked to shed load during intermittent intervals throughout the affected period. Additionally, this imbalance caused considerable volatility in the energy markets resulting in rapid and often substantial fluctuations in the price of energy purchased and sold by many utilities. Lincoln Electric System is still evaluating the effects of the polar vortex and the overall impact on the financial statements cannot be reasonably estimated at this time.

CITY OF LINCOLN, NEBRASKA
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As a result of the spread of the SARS-CoV-2 Virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position and results of operations of the City. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time. Through February 2021, the City had been awarded a total of approximately \$35,500,000 from the State of Nebraska, through the Coronavirus Relief Fund, to reimburse the City for expenditures incurred related to the COVID-19 pandemic.

CITY OF LINCOLN, NEBRASKA
Required Supplementary Information
August 31, 2020

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

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 7,359,480	\$ 7,731,662	\$ 7,416,228	\$ 7,117,899	\$ 8,539,932	\$ 7,929,376	\$ 7,289,994
Interest	23,577,966	21,633,724	20,800,989	19,817,083	19,098,818	17,507,641	16,897,591
Differences between expected and actual experience	2,693,155	1,839,825	(1,147,672)	1,513,600	(3,351,824)	7,390,055	736,647
Effect of assumption changes or inputs	1,916,405	13,739,593	-	-	-	(23,499,491)	22,725,982
Benefit payments, including refunds of member contributions	(17,568,464)	(16,276,256)	(15,667,557)	(15,004,132)	(14,426,427)	(13,708,805)	(13,430,163)
Net change in total pension liability	17,978,542	28,668,548	11,401,988	13,444,450	9,860,499	(4,381,224)	34,220,051
Total pension liability - beginning	325,109,208	296,440,660	285,038,672	271,594,222	261,733,723	266,114,947	231,894,896
Total pension liability - ending (a)	<u>\$ 343,087,750</u>	<u>\$ 325,109,208</u>	<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>
Plan Fiduciary Net Position							
Contributions - employer	\$ 8,490,046	\$ 8,333,901	\$ 8,239,839	\$ 7,974,731	\$ 7,170,104	\$ 8,045,293	\$ 7,865,929
Contributions - employee	3,576,557	3,366,841	3,195,658	3,112,583	2,817,102	2,604,101	2,613,971
Net investment income	26,911,382	5,434,779	17,407,833	23,644,797	14,795,745	(5,843,555)	30,932,275
Benefit payments, including refunds of member contributions	(17,568,464)	(16,276,256)	(15,667,557)	(15,004,132)	(14,426,427)	(13,708,805)	(13,430,163)
Administrative expense	(510,761)	(445,481)	(435,578)	(445,579)	(493,860)	(444,578)	(407,146)
Net change in plan fiduciary net position	20,898,760	413,784	12,740,195	19,282,400	9,862,664	(9,347,544)	27,574,866
Plan fiduciary net position - beginning	246,294,314	245,880,530	233,140,335	213,857,935	203,995,271	213,342,815	185,767,949
Plan fiduciary net position - ending (b)	<u>\$ 267,193,074</u>	<u>\$ 246,294,314</u>	<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>
PFP Net Pension Liability - Ending (a) - (b)	<u>\$ 75,894,676</u>	<u>\$ 78,814,894</u>	<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	77.88%	75.76%	82.94%	81.79%	78.74%	77.94%	80.17%
Covered payroll	\$ 48,498,340	\$ 46,518,365	\$ 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	156.49%	169.43%	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:

8/31/2020 valuation - Expected future investment return was reduced from 7.45% to 7.40% compounded annually.

8/31/2019 valuation - Price inflation was reduced from 2.50% to 2.25%
Expected future investment return was reduced from 7.50% to 7.45% compounded annually.
Interest on member contributions as reduced from 7.50% to 7.45% compounded annually.
General wage increase assumption was reduced from 3.00% to 2.75%.
Payroll growth assumption was reduced from 3.00% to 2.75%.
Disabilities that are assumed to be duty-related were increased from 50% to 65%.
Retirement rates were adjusted to better reflect actual observed experience and were changed to a service-based assumption.
Termination rates were adjusted to better reflect actual observed experience and were changed to a service-based assumption.
Salary increases were adjusted to better reflect actual observed experience and were changed to a service-based assumption.
Mortality assumptions were changed to use the public safety specific PubS tables, with generational mortality improvement using the Nebraska Public Employees Retirement System (NPERS) Mortality Improvement Scale.

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, 2020

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

	2020	2019	2018	2017	2016	2015
Actuarial determined employer contribution	\$ 8,422,965	\$ 8,333,901	\$ 8,164,782	\$ 7,829,103	\$ 9,666,852	\$ 8,418,199
Actual employer contributions	8,490,046	8,333,901	8,239,839	7,974,731	7,170,104	8,045,293
Annual contribution deficiency (excess)	<u>\$ (67,081)</u>	<u>\$ -</u>	<u>\$ (75,057)</u>	<u>\$ (145,628)</u>	<u>\$ 2,496,748</u>	<u>\$ 372,906</u>
Covered payroll - current	\$ 48,498,340	\$ 46,518,365	\$ 44,885,478	\$ 42,930,194	\$ 42,381,059	\$ 37,887,505
Actual contributions as a percentage of covered payroll	17.51%	17.92%	18.36%	18.58%	16.92%	21.23%

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:	8/31/2018	8/31/2017	8/31/2016	8/31/2015	8/31/2014	8/31/2013
Methods and assumptions used to determine contribution rates:						
Actuarial cost method:	Entry Age Normal 30 years,	Entry Age Normal 30 years,	Entry Age Normal 30 years,	Entry Age Normal 30 years,	Entry Age Normal 30 years,	Entry Age Normal 30 years,
Amortization method:	level percent, closed layered bases	level percent, closed layered bases	level percent, closed	level percent, closed	level percent, closed	level percent, open
Remaining amortization period:	varying 19- 26 years 5-year	varying 20- 27 years 5-year	28 years 5-year	29 years 5-year	30 years 5-year	30 years 5-year
Asset valuation method:	smoothed market	smoothed market	smoothed market	smoothed market	smoothed market	smoothed market
Inflation:	2.50%	2.50%	2.50%	2.50%	2.50%	4.25%
Salary increases:	3.50% - 7.30%	3.50% - 7.30%	3.50% - 7.30%	3.50% - 7.30%	3.50% - 7.30%	4.25% - 8.25%
Investment rate of return:	7.50%	7.50%	7.50%	6.40%	6.75%	7.50%

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Annual money-weighted rate of return, net of investment expense	11.11%	2.24%	7.59%	11.25%	7.36%	-3.52%	16.67%	12.42%	5.47%	12.64%

CITY OF LINCOLN, NEBRASKA
Required Supplementary Information
August 31, 2020

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

Measurement Period Ending August 31,

	2019	2018	2017
Total OPEB Liability			
Service cost	\$ 1,071,230	\$ 1,160,514	\$ 969,040
Interest	689,255	645,475	539,411
Differences between expected and actual experience	-	(231,632)	-
Effect of assumption changes or inputs	1,423,068	(1,475,337)	(1,133,914)
Benefit payments	(997,277)	(962,027)	(1,070,494)
Net change in total OPEB liability	2,186,276	(863,007)	(695,957)
Total OPEB liability - beginning	17,899,234	18,762,241	19,458,198
Total OPEB liability - ending	<u>\$ 20,085,510</u>	<u>\$ 17,899,234</u>	<u>\$ 18,762,241</u>
 Covered payroll	 \$ 145,528,734	 \$ 140,466,565	 \$ 138,350,403
Total OPEB liability as a percentage of covered payroll	13.80%	12.74%	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:

8/31/19 valuation -	The discount rate has changed from 3.96% to 3.16% due to a change in the municipal bond rate.
8/31/18 valuation -	The discount rate has changed from 3.53% to 3.96% due to a change in the municipal bond rate.
	The trend rate assumption is now 7.25% decreasing by 0.25% per year until an ultimate rate of 4.75% is reached in 2028, which changed from 7.50% for 2017, decreasing by 0.50% per year for four years, then decreasing by 0.25% per year until an ultimate rate of 5.00% is reached in 2023.
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

DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS

APPENDIX C

DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS

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

Definitions

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

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

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

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

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

“Basic Rent Payment Date” means, with respect to the Series 2021 Certificates, each April 1 and October 1 during the Lease Term, beginning April 1, 2022.

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

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

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

“Certificates” means the Series 2010 Certificates, the Series 2012 Certificates, the Series 2016 Certificates, the Series 2021 Certificates and any Additional Certificates.

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

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

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

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

“Completion Date” means the date of completion of the 2021 Project as that date shall be certified as provided in the Lease.

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

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

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

“Declaration of Trust” means the Original Declaration, as the same may from time to time be amended or supplemented in accordance with its terms.

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

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

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

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

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

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

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

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

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

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

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

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

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

“Lease Revenue Fund” means the Lease Revenue Fund so designated and established pursuant to the Declaration of Trust.

“Lease Revenues” means the Basic Rent Payments, Supplemental Rent Payments and all other amounts due and owing pursuant to or with respect to the Lease, including prepayments, insurance

proceeds, condemnation proceeds, and any and all interest, profits or other income derived from the investment thereof in any fund or account established pursuant to the Declaration of Trust.

“Lease Term” means the term of the Lease beginning November 18, 2010 and ending on April 1, 2041, unless earlier terminated in accordance with the provisions of the Lease.

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

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

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

“Opinion of Counsel” means a written opinion of counsel who is acceptable to the Trustee. The counsel may be an employee of or counsel to the City.

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

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

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

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

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

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

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

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

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

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

“Project” means collectively, the 2010 Project, the 2012 Project, the 2016 Project, the 2021 Project and any improvements for which Additional Certificates may be issued under the Original Declaration.

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

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

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

“2021 Project” means, collectively, acquire, construct, equip, purchase and install (a) snow removal equipment, Street Lights, golf course irrigation equipment and sidewalk improvements, and (b) an aging development center and an air park recreational center in the City.

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

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

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

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

“Record Date” means, with respect to the Series 2021 Certificates, the fifteenth day (whether or not a Business Day) prior to the applicable Basic Rent Payment Date.

“Refunded Certificates” means the Series 2010 Certificates.

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

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

“Rent Payment” means a payment of Rent.

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

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

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

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

“Series 2010 Certificates” means the \$7,780,000 aggregate principal amount Certificates of Participation, Series 2010B, evidencing a proportionate interest in Basic Rent Payments to be made by the City pursuant to the Lease, executed and delivered pursuant to the Original Declaration.

“Series 2012 Certificates” means the \$10,000,000 aggregate principal amount Certificates of Participation, Series 2012, evidencing a proportionate interest in Basic Rent Payments to be made by the City, pursuant to the First Supplemental Lease, executed and delivered pursuant to the First Supplemental Declaration.

“Series 2016 Certificates” means the \$8,550,000 aggregate principal amount Certificates of Participation, Series 2016, evidencing a proportionate interest in Basic Rent Payments to be made by the City, pursuant to the Second Supplemental Lease, executed and delivered pursuant to the Second Supplemental Declaration.

“Series 2021 Certificates” means the \$21,215,000 aggregate principal amount Certificates of Participation, Series 2021, evidencing a proportionate interest in Basic Rent Payments to be made by the City, pursuant to the Third Supplemental Lease, executed and delivered pursuant to the Third Supplemental Declaration.

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

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

“State” means the State of Nebraska.

“Street Lights” means the new street light poles and related equipment acquired from the proceeds of the Series 2012 Certificates, the Series 2016 Certificates or the Series 2021 Certificates, as applicable, to adequately light certain of the City’s streets.

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

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

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

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

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

“Third Supplemental Declaration” means the Third Declaration of Trust Supplement, dated July 1, 2021, made by the Trustee.

“Third Supplemental Lease” means the Third Lease Purchase Agreement Supplement, dated July 1, 2021, between the Trustee and the City.

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

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

SUMMARY OF THE DECLARATION OF TRUST

General Provisions

The Declaration of Trust is made by the Trustee. The Declaration of Trust authorizes the Trustee to execute and deliver the Series 2021 Certificates, provides the terms of the Series 2021 Certificates and provides for various Funds related to the Project and the Lease.

Trust Estate

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

Additional Certificates

Upon the execution and delivery of a Supplemental Lease that provides for an increase in the amount of Basic Rent payable under the Lease and so long as no Event of Default exists, Additional Certificates evidencing the right of the Owners thereof to receive the Principal Portion and the Interest Portion of such additional Basic Rent may be executed and delivered under and equally and ratably secured by the Declaration of Trust on a parity with the Series 2010 Certificates, the Series 2012 Certificates, the Series 2016 Certificates, the Series 2021 Certificates and any other Additional Certificates, at any time and from time to time, upon compliance with the conditions provided in the Declaration of Trust, for the purpose of providing funds to pay all or any part of the cost of (a) repairing, replacing or restoring the Project, (b) improving, upgrading or modifying the Project, (c) additional

improvements to the Project or the acquisition, purchase, construction or equipping of additions to or expansions of or remodeling or modification of the Project and (d) refunding any or all of the Certificates issued for a portion of the Project.

Establishment of Funds

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

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

Application of Lease Revenues

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

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

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

Disbursements from the Project Fund

Payment shall be made from money in the Project Fund upon receipt by the Trustee of a requisition certificate therefor signed by an Authorized Representative of the City. The Completion Date of the 2021 Project and the payment of all Costs of the 2021 Project (other than Costs of the 2021 Project for which sufficient amounts are retained in the Project Fund) shall be evidenced by the filing with the Trustee of the Completion Certificate pursuant to the Lease. As soon as practicable following the receipt by the Trustee of the Completion Certificate, any balance remaining in the Project Fund shall be transferred and deposited without further authorization as provided in the Lease. In the event of the acceleration of all of the Certificates pursuant to the Lease, any money then remaining in the Project Fund shall be transferred and deposited to the credit of the Lease Revenue Fund and shall be used to pay Basic Rent.

Prepayment of Refunded Certificates

Upon receipt of the net proceeds of the Series 2021 Certificates and other available funds of the City, if any, as described in the Tax Agreement, the Trustee shall apply a portion of the net proceeds and funds as described in the Tax Agreement to the prepayment of the Refunded Certificates.

Application of Money in the Lease Revenue Fund

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

Rebate Fund

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

Investment of Money in Various Funds

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

The Trustee shall sell and reduce to cash a sufficient amount of such Investment Securities held by the Trustee in any fund under the Declaration of Trust whenever the cash balance in such fund is insufficient for the purpose of such fund. Any such Investment Securities shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund or account in which such money is originally held, and the interest accruing thereon and any profit realized from such Investment Securities shall be credited to such fund or account, and any loss resulting from such Investment Securities shall be charged to such fund or account.

Amendments to the Declaration of Trust, the Lease or the Site Lease

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

Notwithstanding the foregoing paragraph, the Declaration of Trust, the Lease or the Site Lease and the rights and obligations of the City, of the Trustee and of the Owners of the Certificates may also be

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

Defaults

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

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

Acceleration

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

Other Remedies Upon an Event of Default

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

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

Rights of Certificate Owners

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

Any other provision in the Declaration of Trust to the contrary notwithstanding, the Owners of not less than a majority in aggregate principal amount of Certificates then Outstanding shall have the right, at any time, by a Directive, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the Declaration of Trust, or for the appointment of a receiver or any other proceedings thereunder; provided that such Directive will not be otherwise than in accordance with the provisions of law and of the Declaration of Trust, and provided, further, that the Trustee has been indemnified as provided in the Declaration of Trust and will have the right to decline to follow any such direction if the Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability.

Defeasance

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

The Trustee

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

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

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

SUMMARY OF THE LEASE

General

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

Lease Term

The term of the Lease began on November 18, 2010 and ends on April 1, 2041, unless earlier terminated in accordance with the provisions thereof.

Obligations Unconditional

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

regardless of the invalidity of any action of the Trustee, and regardless of the invalidity of any portion of the Lease, and the City waives in the Lease the provisions of any statute or other law now or hereafter in effect contrary to any of its obligations, covenants or agreements under the Lease or which releases or purports to release the City therefrom.

Net Lease

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

Payment for the Acquisition and Construction of the 2021 Project

Costs and expenses of every nature incurred in the acquisition, construction or installation of the 2021 Project that qualify as Costs of the 2021 Project shall be paid by the Trustee from the Project Fund upon receipt by the Trustee of a completed request of the City signed by the Authorized Representative of the City and containing the statements, representations and certifications set forth in the form of such request attached to the Declaration of Trust.

Completion Date; Excess Funds

The Completion Date shall be evidenced to the Trustee upon receipt by the Trustee of a certificate signed by the Authorized Representative of the City (the “**Completion Certificate**”) stating (a) the date on which the 2021 Project was substantially completed, (b) that all other facilities and equipment necessary in connection with the 2021 Project have been purchased, constructed and installed, (c) that the 2021 Project and such other facilities have been purchased, constructed, made and installed in accordance with the plans and specifications therefor and in conformance with all applicable zoning, planning, building, environmental and other similar governmental regulations, (d) that, except for Costs of the 2021 Project described in accordance with clause (e), all Costs of the 2021 Project have been paid, and (e) the amounts, if any, to be retained in the Project Fund for the payment of Costs of the 2021 Project, if any, not yet due or Costs of the 2021 Project whose liability the City is contesting, and amounts that otherwise should be retained and the reasons they should be retained. The Completion Certificate may state that it is given without prejudice to any rights of the City that then exist or may subsequently come into being against third parties. Any amounts remaining in the Project Fund that are not needed to pay any remaining Costs of the 2021 Project shall be transferred to the Lease Revenue Fund.

Prepayment of Refunded Certificates

Upon receipt of the net proceeds of the Series 2021 Certificates as described in the Tax Agreement, the Trustee shall transfer a portion of the net proceeds as described in the Tax Agreement to the trustee for the Refunded Certificates for prepayment of the Refunded Certificates.

Enjoyment of the Project

The Trustee shall provide the City during the Lease Term with quiet use and enjoyment of the Project, and the City shall during the Lease Term peaceably and quietly have, hold and enjoy the Project, without suit, trouble or hindrance from the Trustee, except as expressly set forth in the Lease. The City

shall have the right to use the Project for any essential governmental or proprietary purpose of the City, subject to the limitations contained in the Lease.

Basic Rent

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

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

Supplemental Rent

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

Increased Basic Rent

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

Disclaimer of Warranties

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

Deficiency of Project Fund

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

City's obligation to pay any such deficiency will be limited to its current budgeted appropriations for the Project, and the City will have no obligation to appropriate additional funds therefore and may amend the Project to reduce or eliminate such deficiency.

Impositions

The City will bear, pay and discharge, before the delinquency thereof, as Supplemental Rent, all taxes and assessments, general and special, if any, that may be lawfully taxed, charged, levied, assessed or imposed upon or against or be payable for or in respect of the Project, including any taxes and assessments not of the kind enumerated above to the extent that the same are lawfully made, levied or assessed in lieu of or in addition to taxes or assessments now customarily levied against real or personal property, and further including all water and sewer charges, assessments and other general governmental charges and impositions whatsoever, foreseen or unforeseen, that if not paid when due would impair the security of the Trustee or encumber the Project (all of the foregoing being herein referred to as "Impositions").

Contest of Impositions

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

Insurance

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

(a) Insurance insuring the Project against loss or damage by fire, lightning and all other risks covered by the extended coverage insurance endorsement then in use in the State in an amount not less than the Principal Portion of the Certificates then Outstanding and issued by such insurance company or companies authorized to do business in the State as may be selected by the City. The policy or policies of such insurance will name the City and the Trustee as insureds, as their respective interests may appear. All proceeds from such policies of insurance will be applied as provided in the Lease. During acquisition, construction and installation of the Project, the City will cause to be provided, insofar as the Project is concerned, the insurance required by clause (b) below in lieu of the insurance required by this clause (a) to the extent appropriate.

(b) To the extent appropriate, during the acquisition, construction and installation of the Project and in lieu of the insurance required in clause (a) above, builder's risk-completed value insurance insuring the Project against fire, lightning and all other risks covered by the extended coverage

endorsement then in use in the State to the full insurable value of the Project (subject to reasonable loss deductible clauses) issued by such insurance company or companies authorized to do business in the State as may be selected by the City. Such policy or policies of insurance will name the City and the Trustee as insureds, as their respective interests may appear, and all payments received under such policy or policies by the City will be paid over to the Trustee.

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

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

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

Enforcement of Construction Agreement and Surety Bonds

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

Maintenance and Modification of the Project by the City

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

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

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

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

Damage, Destruction and Condemnation

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

If the City determines that the repair, restoration, modification or improvement of the Project is not economically feasible or in the best interest of the City, then, in lieu of making such repair, restoration, modification or improvement and if permitted by law, the City will promptly purchase the Trustee's interest in the Project pursuant to the Lease by paying the Purchase Price. The Net Proceeds will be applied by the City to payment of the Purchase Price. Any balance of the Net Proceeds remaining after paying the Purchase Price will belong to the City.

Purchase Option

The City will have the option to purchase the Trustee's interest in the 2010 Project and the 2021 Project, upon giving written notice to the Trustee at least 30 days before the date of purchase, at the following times and on the following terms:

(1) On or after April 1, 2029, upon payment in full of Rent Payments with respect to the 2021 Project then due under the Lease plus a Purchase Price equal to 100% of the remaining Principal Portions of Basic Rent with respect to the 2021 Project for the Lease Term, plus Interest Portions of Basic Rent with respect to the 2021 Project accrued to the prepayment date.

(2) Upon deposit of moneys or Government Obligations or both with the Trustee in accordance with **Article X** of the Declaration of Trust in the amount necessary to provide for the Basic Rent Payments with respect to the 2021 Project and 2010 Project until and on April 1, 2029, and the Purchase Price calculated as described in (1) above on the Series 2021 Certificates, to the prepayment date, which will be on or after April 1, 2029.

(3) Notwithstanding anything in the Third Lease Supplement to the contrary, the Trustee's interest in the 2021 Project shall be deemed purchased upon payment of all of the Basic Rent Payments with respect to the 2021 Project through and including April 1, 2041; and the

Trustee's interest in the 2010 Project shall be deemed purchased upon payment of all of the Basic Rent Payments with respect to the 2010 Project through and including April 1, 2026.

Partial Prepayment

The City will have the option to prepay the Basic Rent Payments with respect to the Series 2021 Certificates in part, upon giving written notice to the Trustee at least 30 days before the date of such prepayment, at any time on or after April 1, 2029, at the Prepayment Price equal to the Principal Portion of Basic Rent being with respect to the 2021 Project so prepaid plus the Interest Portion of Basic Rent with respect to the 2021 Project accrued thereon to such Basic Rent Payment Date.

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

Assignment and Subleasing by the City

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

License and Easement

In the Lease, the City granted a license and easement to Trustee with respect to the Licensed Property described in the Lease, for the purpose of constructing, installing, locating, and maintaining those portions of the Project located on such Licensed Property. The license and easement shall include full access and use thereof by Trustee and its licensees and invitees and shall permit all actions necessary or incidental to the construction, equipping, furnishing and maintaining of the Project. All buildings, improvements, furnishings and equipment upon such real estate financed and refinanced pursuant to the Lease are acknowledged under the Lease to be the separate personal property of the Trustee and shall not become a fixture or in any way a part of the real estate which makes up the Licensed Property. The Lease includes the option of the City, upon payment of the specified purchase price, to purchase the Trustee's interest in the Project. The license and easement shall continue with respect to the Licensed Property until such time as the Lease terminates, and may be amended from time to time by the City in its discretion. The City covenants and warrants under the Lease that it has full right, title and authority to grant the license and easement rights in the Lease granted and further covenants and warrants that it will defend such rights in Trustee against the claims of all person whomsoever.

Events of Default

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

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

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

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

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

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

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

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

Remedies on Default

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

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

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

subleasing (after deducting all expenses of the Trustee in exercising its remedies under the Lease, including, without limitation, all expenses of taking possession, removing, storing, reconditioning, and selling or leasing or subleasing the Project and all brokerage, auctioneers and attorneys' fees and expenses);

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

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

APPENDIX D

BOOK-ENTRY SYSTEM

BOOK-ENTRY SYSTEM

The Series 2021 Certificates are available in book-entry form and beneficial ownership interests therein may be purchased in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Series 2021 Certificates will not receive certificates representing their interests in the Series 2021 Certificates.

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

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2021 Certificates. The Series 2021 Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2021 Certificate will be issued for each maturity of the Series 2021 Certificates, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Series 2021 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Certificates on DTC’s records. The ownership interest of each actual purchaser of each Series 2021 Certificate (“**Beneficial Owner**”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2021 Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners

will not receive certificates representing their ownership interests in Series 2021 Certificates, except in the event that use of the book-entry system for the Series 2021 Certificates is discontinued.

To facilitate subsequent transfers, all Series 2021 Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2021 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2021 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2021 Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2021 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2021 Certificates, such as redemptions, defaults, and proposed amendments to the Series 2021 Certificate documents. For example, Beneficial Owners of Series 2021 Certificates may wish to ascertain that the nominee holding the Series 2021 Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2021 Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2021 Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2021 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Series 2021 Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal of or interest on the Series 2021 Certificates to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2021 Certificates at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2021 Certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2021 Certificates will be printed and delivered to DTC. The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC. The City and the Underwriter take no responsibility for the accuracy thereof.

APPENDIX E

FORM OF OPINION OF SPECIAL TAX COUNSEL

[FORM OF OPINION OF SPECIAL TAX COUNSEL]

[Closing Date]

The City of Lincoln, Nebraska
Lincoln, Nebraska

Union Bank and Trust Company, Trustee
Lincoln, Nebraska

Robert W. Baird & Co., Inc.
Milwaukee, Wisconsin

Re: \$21,215,000 Certificates of Participation, Series 2021, Evidencing Proportionate Interests
of the Owners in Basic Rent Payments to be Made by The City of Lincoln, Nebraska

Ladies and Gentlemen:

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

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

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

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

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

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

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

3. The interest portion of each Basic Rent Payment represented by the Certificates (including any original issue discount properly allocable to an owner thereof) (i) is excludable from gross income for federal income tax purposes, (ii) is exempt from income taxation by the State of Nebraska, and (iii) is not an item of tax preference for purposes of computing the federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the execution and delivery of the Lease and the Certificates in order that the interest portions of Basic Rent Payments represented by the Certificates be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause the inclusion of such interest portions of Basic Rent Payments in gross income for federal and Nebraska income tax purposes retroactive to the date of execution and delivery of the Lease. The City's obligation to pay Basic Rent Payments under the Lease has not been designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

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

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

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

Very truly yours,