

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.

**NEW ISSUE
BOOK-ENTRY**

**RATINGS: S&P: "AAA"
Moody's: "Aa1"
See "Ratings"**

In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), (1) the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) 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 imposed on individuals and corporations, (2) the interest on the Bonds is exempt from Nebraska income taxation by the State of Nebraska and (3) the Bonds 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

**\$28,175,000
LINCOLN, NEBRASKA WEST HAYMARKET JOINT PUBLIC AGENCY
(The City of Lincoln, Nebraska and The Board of Regents of the University of Nebraska)
GENERAL OBLIGATION FACILITY BONDS
SERIES 2013**

Dated: date of delivery

Due: December 15, as set forth on the inside cover

The Bonds will be issued as fully registered bonds and, when issued, will be registered 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 Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references to the Registered Owners shall mean Cede & Co., and shall not mean the Beneficial Owners (herein defined) of the Bonds. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of principal or redemption price of and interest on the Bonds will be made directly to DTC. Disbursement of such payments to DTC Participants (herein defined) is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC Participants. See "THE BONDS – Book-Entry System." Semiannual interest will be payable on June 15 and December 15 of each year beginning on June 15, 2014, by Union Bank and Trust Company, as bond registrar and paying agent (the "Registrar").

The Bonds are subject to optional and mandatory redemption as set forth under "THE BONDS – Redemption."

The West Haymarket Joint Public Agency (the "Agency") will use the proceeds of the Bonds to pay the costs of (a) one or more Projects (as described herein) and (b) issuing the Bonds. See "PLAN OF FINANCING."

The Bonds are issued pursuant to the terms of a resolution duly passed by the Board of the Agency on March 22, 2013 and as amended on November 14, 2013 (together, the "Resolution"). The Bonds are general obligations of the Agency payable, unless paid from other sources, from taxes levied by valuation on all taxable property without limitation as to rate or amount in the City, pursuant to the provisions of the JPA Act and the Joint Public Agency Agreement Creating the West Haymarket Joint Public Agency, dated as of April 1, 2010, between the City and The Board of Regents of the University of Nebraska (the "Regents"), as amended and supplemented from time to time, including, without limitation, the Amended and Restated Joint Public Agency Agreement of the West Haymarket Joint Public Agency, dated January 10, 2011 (collectively, the "JPA Agreement"), between the City and the Regents. Pursuant to the Facilities Agreement, dated September 8, 2010, as amended and supplemented from time to time, including, without limitation, the Amended and Restated Facilities Agreement, dated July 12, 2013 (collectively, the "Facilities Agreement") between the City and the Agency, (a) the City is obligated to collect all revenues, receipts and income received by the Agency from any source (the "Revenues") and (b) in the event that 30 days prior to the payment date of any principal or interest on Bonds, amounts in the Debt Service Fund are insufficient to fully pay the principal of or interest on all outstanding Bonds, the City is obligated to loan to the Agency the full amount of any such deficiency not later than such date of payment. Any such loan, together with interest accrued thereon, shall be repaid to the City (a) first, from the first receipts of Revenues, and (b) second, from taxes levied and collected by the Agency pursuant to the provisions of the Facilities Agreement. If the projected actual Available Revenues (defined to be all cash receipts of the Agency, plus unrestricted amounts in the Surplus Fund, less all cash payments of the Agency, including, without limitation, debt service on Bonds, operation and maintenance expenses and deposits to the Depreciation and Replacement Fund) for the fiscal year are less than the budgeted Available Revenues for such fiscal year by \$1,000,000 or more, the Agency is obligated to implement the Agency Bond Levy. See "THE AGENCY," "SECURITY," "NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION" and "APPENDIX D – SUMMARY OF PRINCIPAL DOCUMENTS – JPA Agreement" and "- Facilities Agreement."

MATURITY SCHEDULE – SEE INSIDE COVER

WELLS FARGO BANK, NATIONAL ASSOCIATION

AMERITAS INVESTMENT CORP.
has acted as Financial Advisor

The Bonds are offered in book-entry form only when, as and if issued by the Agency and accepted by the Underwriter, subject to the approval of legality by Gilmore & Bell, P.C., Lincoln, Nebraska, Bond Counsel. Certain legal matters will be passed upon for the City and the Agency by Rodney M. Confer, City Attorney and general counsel to the Agency. It is expected that the Bonds in definitive form will be available for delivery through DTC on or about December 19, 2013.

The Date of this Official Statement is December 4, 2013.

MATURITY SCHEDULE

\$28,175,000

LINCOLN, NEBRASKA WEST HAYMARKET JOINT PUBLIC AGENCY
(The City of Lincoln, Nebraska and The Board of Regents of the University of Nebraska)
GENERAL OBLIGATION FACILITY BONDS
SERIES 2013

<u>Maturity</u> <u>(December 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Rate of</u> <u>Interest</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP†</u> <u>Number</u> <u>(534366)</u>
2014	\$540,000	2.000%	0.280%	101.697%	BP3
2015	540,000	2.000	0.450	103.065	BQ1
2016	550,000	3.000	0.640	106.975	BR9
2017	565,000	3.000	0.950	108.005	BS7
2018	580,000	4.000	1.350	112.743	BT5
2019	605,000	4.000	1.700	113.043	BU2
2020	630,000	4.000	2.100	112.290	BV0
2021	655,000	5.000	2.440	118.479	BW8
2022	690,000	5.000	2.680	118.423	BX6
2023	720,000	5.000	2.900	118.098	BY4
2024	760,000	3.000	3.100	99.074	BZ1
2025	780,000	3.000	3.300	97.049	CA5
2026	805,000	3.250	3.550	96.899	CB3
2027	830,000	3.500	3.700	97.830	CC1
2028	860,000	3.750	3.850	98.868	CD9
2029	890,000	4.000	4.050	99.415	CE7
2030	925,000	4.000	4.100	98.784	CF4
2031	965,000	4.000	4.200	97.492	CG2
2032	1,005,000	4.000	4.250	96.764	CH0
2033	1,045,000	4.125	4.300	97.668	CJ6
2034	1,085,000	4.250	4.350	98.632	CK3
2035	1,130,000	4.250	4.400	97.899	CL1
2036	1,180,000	4.250	4.450	97.139	CM9
2037	1,230,000	4.250	4.520	96.070	CN7
2038	1,285,000	4.375	4.550	97.402	CP2

\$7,325,000 – 4.500% Term Bonds due December 15, 2043, price: 98.062% to yield 4.620%
CUSIP† No. 534366 CQ0

† CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included for the convenience of the owners of the Bonds. Neither the Agency nor the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth above.

LINCOLN, NEBRASKA WEST HAYMARKET JOINT PUBLIC AGENCY

Chris Beutler (Mayor) Chair and Representative
Timothy Clare (Regent) Vice Chair and Representative
Doug Emery (City Council) Secretary and Representative

Steve Hubka Treasurer
Rodney M. Confer General Counsel

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

Christopher J. Beutler, Mayor

City Council Members

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

City Department Heads

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

UNDERWRITER

Wells Fargo Bank, National Association

REGISTRAR AND PAYING AGENT

Union Bank and Trust Company

FINANCIAL ADVISOR

Ameritas Investment Corp.

BOND COUNSEL

Gilmore & Bell, P.C.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

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Howard Hawks, Vice Chair, Omaha, Nebraska
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John Christensen, Chancellor, UNO
Doug Kristensen, Chancellor, UNK
Harold M. Maurer, Chancellor, UNMC
Harvey S. Perlman, Chancellor, UNL

REGARDING USE OF THIS OFFICIAL STATEMENT

AUTHORIZED INFORMATION AND REPRESENTATIONS

No dealer, broker, sales representative or other person has been authorized by the Agency, the City, the Regents or Wells Fargo Bank, National Association (the “**Underwriter**”) to give any information or to make any representations, other than those contained in this Official Statement; and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Agency, the City, the Regents and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter. The Underwriter has provided the following sentence for inclusion in this Official Statement: “The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.” The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstance, create any implication that there has been no change in the affairs of the Agency, the City or the Regents since the date hereof.

REGISTRATION EXEMPTION

The Bonds have not been registered with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended (the “**Securities Act**”), in reliance upon an exemption contained in the Securities Act. In making an investment decision, investors must rely upon their own examination of the Agency and the City and the terms of the offering, including the merits and risks involved. No federal or state securities commission or regulatory authority has recommended the Bonds. Moreover, none of the foregoing authorities has confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of federal securities laws. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “anticipate,” “budget,” “intend” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. None of the Agency, the City, the Regents or any other party plans to issue any updates or revisions to those forward-looking statements if or when the expectations, or events, conditions or circumstances upon which such statements are based occur.

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

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

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OFFICIAL STATEMENT

\$28,175,000

LINCOLN, NEBRASKA WEST HAYMARKET JOINT PUBLIC AGENCY
(The City of Lincoln, Nebraska and The Board of Regents of the University of Nebraska)
GENERAL OBLIGATION FACILITY BONDS
SERIES 2013

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. Definitions of capitalized terms not otherwise defined herein may be found in “APPENDIX D: SUMMARY OF PRINCIPAL DOCUMENTS – Definitions.”

Purpose of the Official Statement

The purpose of this Official Statement is to furnish information relating to (a) the West Haymarket Joint Public Agency (the “**Agency**”), (b) The City of Lincoln, Nebraska (the “**City**”), and (c) the Agency’s \$28,175,000 principal amount General Obligation Facility Bonds, Series 2013, dated the date of delivery thereof (the “**Bonds**”).

The Agency

The Agency was created pursuant to (a) the Joint Public Agency Act (Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended, the “**JPA Act**”) and (b) the Joint Public Agency Agreement Creating the West Haymarket Joint Public Agency, dated as of April 1, 2010, between the City and The Board of Regents of the University of Nebraska (the “**Regents**”), as amended and supplemented from time to time, including, without limitation, the Amended and Restated Joint Public Agency Agreement of the West Haymarket Joint Public Agency, dated January 10, 2011 (collectively, the “**JPA Agreement**”), between the City and the Regents. The Agency was created (a) for purposes of constructing, equipping, furnishing and financing public facilities in the West Haymarket Redevelopment Area (herein defined) of the City including, but not limited to, a sports/entertainment arena (the “**Arena**”), roads, streets, sidewalks, pedestrian overpass, public plaza space, sanitary sewer mains, water mains, electric transmission lines, drainage systems, flood control, parking garages and surface parking lots (collectively, the “**West Haymarket Facilities**”), and (b) to acquire land and to relocate existing businesses, to undertake environmental remediation and site preparation as necessary and appropriate for the construction, equipping, furnishing and financing of the West Haymarket Facilities (collectively, as described in the Bond Resolution (hereinafter defined), as the same may be amended from time to time, the “**Projects**,” and, individually, a “**Project**”).

The Projects

The Projects consist of constructing, equipping, furnishing and financing various public facilities in the West Haymarket Redevelopment Area of the City including, but not limited to, the Arena, roads, streets, sidewalks, pedestrian overpass, public plaza space, sanitary sewer mains, water mains, electric transmission lines, drainage systems, flood control, parking garages and surface parking lots, and acquiring land and relocating existing businesses, undertaking environmental remediation and site preparation as necessary and appropriate for the construction, equipping, furnishing and financing of the West Haymarket Facilities. The Agency acquired the real property for the Projects from the Burlington Northern Santa Fe (“**BNSF**”) and Union Pacific Railroads. The Arena Projects (consisting of the Arena and related parking improvements consisting of the surface parking lot northwest of the

BNSF tracks, the parking garage adjacent to the Arena and the surface parking lot on the Arena site) will be owned by the Agency until the Bonds are no longer outstanding, at which time the Agency will transfer ownership of the Arena Projects to the City. The remaining Projects will be transferred to the City upon the completion of construction of such Projects. The City will operate and maintain all of the Projects pursuant to the Facilities Agreement, dated September 8, 2010, as amended and supplemented from time to time, including, without limitation, the Amended and Restated Facilities Agreement, dated July 12, 2013 (collectively, the “**Facilities Agreement**”) between the City and the Agency. See “**PLAN OF FINANCING – The Projects**” and **APPENDIX D - SUMMARY OF PRINCIPAL DOCUMENTS – Facilities Agreement.**”

The City

The City is a city of the primary class duly organized and validly existing under the laws of the State, including, without limitation, Chapter 15, Reissue Revised Statutes of Nebraska, as amended.” The City’s outstanding general obligation bonds are rated “Aaa” by Moody’s Investors Service, Inc. and “AAA” by Standard & Poor’s. See “**THE CITY.**”

The Regents and the Operating Agreement

The Regents are a public body corporate duly created and existing under the laws of the State of Nebraska. Pursuant to a Memorandum of Understanding dated as of March 31, 2010 (the “**MOU**”) between the City and the Regents, the Regents have agreed to lease the Arena for a term of 30 years, which began September 1, 2013, to play the University of Nebraska-Lincoln men’s and women’s varsity basketball home games. The terms of the MOU were formalized through an Operating Agreement between the City and the Regents, dated November 16, 2011. Other than the annual payment of rent for its use of the Arena pursuant to the Operating Agreement, the Regents have no obligation to pay the principal or redemption price of and interest on the Bonds. The Operating Agreement term commenced on September 1, 2013 and continues for a term of 30 years, unless extended or earlier terminated pursuant to the Operating Agreement. The Regents’ outstanding bonds are rated “Aa1” by Moody’s Investors Service, Inc. and “AA” by Standard & Poor’s.

The Bonds

The Bonds will be issued pursuant to a Bond Resolution passed March 22, 2013 and amended on November 14, 2013 (together, the “**Bond Resolution**”) by the Agency for the purpose of paying (a) all or a portion of the costs of one or more Projects and (b) the costs of issuing the Bonds. See “**PLAN OF FINANCING**” and “**THE BONDS.**”

Security and Source of Payment

The principal or redemption price of and interest on the Bonds are general obligations of the Agency payable, unless paid from other sources, from taxes levied by the Agency on all taxable property in the City without limitation as to rate or amount pursuant to the provisions of the JPA Act and the JPA Agreement. Pursuant to the JPA Act, under the JPA Agreement, the City has allocated to the Agency its authority to cause a levy of taxes within the City pursuant to Section 15-202, Reissue Revised Statutes of Nebraska, as amended, in an amount which will be sufficient to pay the principal or redemption price of and interest on the Bonds when and as the same become due (the “**Agency Bond Levy**”). The Facilities Agreement requires that (a) the City collect all revenues, receipts and income received by the Agency from any source (the “**Revenues**”) and (b) in the event that 30 days prior to the payment date of any principal or interest on the Bonds, amounts in the Debt Service Fund are insufficient to fully pay the principal of or interest on all outstanding Bonds, the City shall loan to the Agency the full amount of any such deficiency not later than such date of payment. Such loan shall bear interest as provided in the Facilities Agreement from the date such amounts are loaned to the Agency until all such amounts are repaid by the Agency. Any such loan, together with interest accrued thereon, shall be repaid to the City (i) first, from the first receipts of Revenues, and (ii) second, from taxes levied and collected by the Agency pursuant to the provisions of the Facilities Agreement. If the projected actual Available

Revenues (defined to be all cash receipts of the Agency, plus unrestricted amounts in the Surplus Fund, less all cash payments of the Agency, including, without limitation, debt service on Bonds, operation and maintenance expenses and deposits to the Depreciation and Replacement Fund) for the fiscal year are less than the budgeted Available Revenues for such fiscal year by \$1,000,000 or more, the Agency is obligated to implement the Agency Bond Levy. See “**THE AGENCY**,” “**SECURITY**,” “**NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION**,” and “**APPENDIX D – SUMMARY OF PRINCIPAL DOCUMENTS – JPA Agreement**,” “**—Facilities Agreement**” and “**–Bond Resolution**.”

Financial Statements

See “**MISCELLANEOUS – Independent Auditors**” and “**APPENDIX B**” and “**APPENDIX C**” hereto for information concerning certain audited financial information of the Agency and the City.

Ratings

The Agency has applied to Moody’s Investors Service, Inc. and Standard & Poor’s for ratings on this issue. See “**MISCELLANEOUS – Ratings**.”

THE AGENCY

The Agency was created on April 2, 2010 pursuant to the JPA Act and the JPA Agreement for the purpose of exercising any power, privilege or authority to facilitate land acquisition, relocation of existing businesses, environmental remediation, site preparation and the construction, equipping, furnishing and financing of public facilities, including, but not limited to, the Arena and the other West Haymarket Facilities and any other capital improvements or other projects pertaining to the redevelopment of an area in the City generally bounded by BNSF and Union Pacific railroad lines and First Street on the west, approximately Ninth Street and I-180 on the east, Cornhusker Highway on the north and “M” Street on the south (the “**West Haymarket Redevelopment Area**”), as determined by the Agency to be necessary, desirable, advisable or in the best interests of the City and the Regents.

Under the JPA Agreement, the governing body of the Agency (the “**Board**”) consists of the Mayor of the City, the member of The Board of Regents of the University of Nebraska from District No. 1, and a member of the Council of the City appointed by the Mayor. All actions may be taken by the affirmative vote of a majority of the Board, except that the actions of the Agency related to the Arena (as opposed to the West Haymarket Facilities as a whole) require a unanimous vote of the Board. Issuance of indebtedness of the Agency must also be approved by the Mayor and Council of the City.

The members of the Board are as follows: Chris Beutler (Mayor of the City), Timothy Clare (Regent from District No. 1), and Doug Emery (member of the Council). The officers of the Board are as follows:

<u>Name</u>	<u>Office</u>
Chris Beutler	Chair
Timothy Clare	Vice Chair
Doug Emery	Secretary
Steve Hubka	Treasurer

Mr. Beutler and Mr. Clare serve on the Board for so long as they hold the office of Mayor and Regent, respectively. Council Member Emery’s term on the Board expires when a successor is appointed by the Mayor.

THE CITY

The City is a city of the primary class and political subdivision created and existing under the laws of the State, including, without limitation, Chapter 15, Reissue Revised Statutes of Nebraska, as amended. The City encompasses approximately 92 square miles and includes most of the urban area of Lancaster County. Located in southeastern Nebraska approximately midway between Chicago and Denver, the City has an estimated population of over 262,341. See “**APPENDIX A – THE CITY OF LINCOLN, NEBRASKA – GENERAL, ECONOMIC AND FINANCIAL INFORMATION**” and “**APPENDIX B – THE CITY OF LINCOLN, NEBRASKA - ACCOUNTANT’S REPORT AND AUDITED FINANCIAL STATEMENTS.**”

PLAN OF FINANCING

Authorization and Purpose of Bonds

The Bonds are authorized pursuant to and in full compliance with the Constitution and statutes of the State including, particularly, the JPA Act. The Bonds are being issued pursuant to the Bond Resolution for the purpose of paying (a) all or a portion of the costs of one or more Projects and (b) the costs of issuing the Bonds.

The Projects

General: The Projects consist of constructing, equipping, furnishing and financing various public facilities in the West Haymarket Redevelopment Area of the City including, but not limited, to the Arena, roads, streets, sidewalks, pedestrian overpass, public plaza space, sanitary sewer mains, water mains, electric transmission lines, drainage systems, flood control, parking garages and surface parking lots, and acquiring land and relocating existing businesses, undertaking environmental remediation and site preparation as necessary and appropriate for the construction, equipping, furnishing and financing of the West Haymarket Facilities. The Agency has purchased the land on which the Arena will sit from BNSF. Upon the continued acquisition, over time, of certain property currently owned by the BNSF and Union Pacific Railroads, the Agency will initially own the property on which all of the Projects will be constructed, equipped and furnished. The Arena Projects (consisting of the Arena and the related parking improvements consisting of the surface parking lot northwest of the BNSF tracks, the parking garage adjacent to the Arena and the surface parking lot on the Arena site) will be owned by the Agency until the Bonds are no longer outstanding, at which time the Agency will transfer ownership of the Arena Projects to the City. The remaining Projects will be transferred to the City upon the completion of construction of such Projects. The City will operate and maintain all of the Projects pursuant to the Facilities Agreement.

Cost Summary and Construction of the Projects: The Agency will deposit approximately \$28,000,000 of the proceeds of the Bonds in the Construction Fund as provided in the Bond Resolution. The total estimated cost of the Projects is approximately \$370,000,000, \$300,000,000 of which was funded from the net proceeds of the Agency’s (a) \$100,000,000 General Obligations Facility Bonds, Taxable Series 2010A (Build America Bonds – Direct Pay), dated September 8, 2010, (b) \$67,965,000 General Obligations Facility Bonds, Taxable Series 2010B (Build America Bonds – Direct Pay), dated December 1, 2010, (c) \$32,035,000 General Obligation Recovery Zone Economic Development Bonds, Taxable Series 2010C, dated December 1, 2010 and (d) \$100,000,000 General Obligation Facility Bonds, Series 2011, dated August 24, 2011 (collectively, the “**Outstanding Bonds**”). In addition, on August 7, 2013, the City issued its \$25,000,000 Limited Tax General Obligation Arena Bonds, Series 2013 (the “**Turnback Tax Bonds**”) to finance a portion of the Arena Project. The Turnback Tax Bonds are general obligations of the City, and the full faith, credit and resources of the City are irrevocably pledged for the prompt payment of the principal of, premium, if any, and interest on the Turnback Tax Bonds as the same become due. The Arena opened and became fully operational in September, 2013.

The following table is a summary of certain approximated, anticipated costs of the Projects:

<u>Phase 1</u>	
Arena and attached garage	178,806,341
Site Purchase	62,485,655
Parking	29,424,527
Roads	24,282,201
Environmental	6,813,050
General Coordination	6,674,522
Dirt Moving	6,063,449
Bond Related Costs	5,160,000
Other (ITS/Civic Art)	3,326,827
Utilities	1,998,940
Pedestrian Ways	1,424,060
Contingency	16,003,350
	<u>342,462,922</u>
<u>Phase 2</u>	
Parking	26,935,000
Bond Related Costs	422,598
General Coordination	360,000
Contingency	1,364,750
	<u>29,082,348</u>

Sources and Uses of Funds

The following table summarizes the estimated sources of funds, including the proceeds from the sale of the Bonds, and the expected uses of such funds, in connection with the plan of financing:

Sources of Funds:

Proceeds from Sale of Bonds	\$28,175,000.00
Plus: Aggregate Original Issue Premium	<u>241,675.60</u>
Total sources of funds	<u>\$28,416,675.60</u>

Uses of Funds:

Construction Fund	\$28,002,300.88
Underwriting Discount (1.000%)	281,749.72
Costs of Issuance	<u>132,625.00</u>
Total uses of funds	<u>\$28,416,675.60</u>

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THE BONDS

The following is a summary of certain terms and provisions of the Bonds. Reference is hereby made to the Bonds and the provisions of the Bond Resolution for the detailed terms and provisions thereof.

Principal Maturities and Interest Rates

The Bonds will be dated the date of delivery thereof, numbered from R-1 upward in order of their issuance, mature on December 15 in the years and in the principal amounts set forth on the inside cover page of this Official Statement and bear interest calculated on the basis of a 360-day year consisting of twelve 30-day months at the rates per annum set forth on the inside cover page hereof. Interest is payable on June 15 and December 15 of each year, commencing June 15, 2014. The **“Record Date”** for each installment of interest shall be the fifteenth day (whether or not a business day) next preceding such interest payment date.

Form and Denomination

The Bonds are issuable as fully registered bonds and when issued will initially be available in book-entry form only in denominations of \$5,000 and any integral multiple thereof. See **“THE BONDS – Book-Entry System.”**

Place of Payment

Unless the Bonds are being held in book-entry form only, the principal or redemption price thereof due at maturity or upon redemption prior to maturity is payable upon presentation and surrender of the Bonds to Union Bank and Trust Company, as bond registrar and paying agent (the **“Registrar”**), at its designated corporate trust administration office in Lincoln, Nebraska. Interest on the Bonds is payable by check or draft mailed on the date such interest is payable by the Registrar to the registered owner of such Bonds at such registered owner’s address as shown on the Record Date on the books of registry kept by the Registrar. During such time as the Bonds are being held in book-entry form only, the principal or redemption price of and interest on the Bonds are payable as described under **“THE BONDS – Book-Entry System.”**

Redemption

Optional Redemption. The Bonds are subject to optional redemption at the option of the Agency in whole or in part at any time on or after December 15, 2023, in the principal amounts and from the maturity or maturities selected by the Agency and by lot in integral multiples of \$5,000 within a maturity at a redemption price equal to 100% of the principal amount being redeemed, plus accrued interest on such principal amount to the date of redemption.

Sinking Fund Redemption of Bonds. The Bonds maturing on December 15, 2043 are subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements set forth below at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date. The payments specified in the Bond Resolution which are to be deposited into the Debt Service Fund shall be sufficient to redeem, and the Agency shall redeem on each December 15 the following principal amounts of Bonds:

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Year (December 15)	Principal Amount
2039	\$1,340,000
2040	1,400,000
2041	1,460,000
2042	1,530,000
2043*	1,595,000

*Maturity

Partial Redemption. The Bonds shall be redeemed in whole multiples of \$5,000 and if any Bond be in a denomination in excess of \$5,000, portions of the principal amount thereof in installments of \$5,000 or any integral multiple thereof may be redeemed, and if less than all of the principal amount thereof is to be redeemed, in such case upon the surrender of such Bond, there shall be issued to the registered owner thereof without charge therefor, for the then unredeemed balance of the principal amount thereof, registered bonds of like series, maturity and interest rate in any of the authorized denominations provided by the Bond Resolution.

Notice of Redemption. Notice of redemption of any Bond shall be sent by first class mail, postage prepaid, at least 30 days prior to the date fixed for redemption to the registered owner thereof at the address maintained by the Registrar. No further interest shall accrue after the redemption date on any Bonds duly called for redemption if payment thereof has been duly provided for with the Registrar.

Book-Entry System

General. The Bonds will be made available initially in book-entry form only in denominations of \$5,000 each or integral multiples thereof. The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity, as set forth on the 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 Bonds will be available to purchasers only through the 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 under this heading are found in “**APPENDIX F – BOOK-ENTRY SYSTEM.**”

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

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

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bonds, nor any error in the printing of such numbers shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and payment for any Bonds.

SECURITY

General

The principal or redemption price of and interest on the Bonds are general obligations of the Agency payable, unless paid from other sources, from taxes levied by the Agency on all taxable property in the City without limitation as to rate or amount pursuant to the provisions of the JPA Act and the JPA Agreement. See **“NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION.”**

JPA Agreement

Under the JPA Agreement, the City has irrevocably allocated and assigned to the Agency, for the period beginning June 1, 2010 and ending on the date upon which all of the Bonds are no longer deemed to be outstanding and unpaid under the Bond Resolution, its authority pursuant to Section 15-202, Reissue Revised Statutes of Nebraska, as amended, to cause the levy of taxes within the City (the **“Agency Bond Levy”**), beginning in the year 2010 for collection in 2011, for the purpose of paying the costs of the Projects in an amount to be levied solely for the purpose of paying the principal or redemption price of and interest on the Bonds. The Agency Bond Levy is unlimited as to both rate and amount and, if levied, (a) would be levied on all the taxable property within the corporate limits of the City and (b) would not affect the ability of the City to levy property taxes. The Agency made no levy in 2012 and will not be required to make any levy in 2013 for collection in 2014.

The JPA Agreement obligates the Agency to certify the Agency Bond Levy to The County of Lancaster, Nebraska in its budget statement as provided in the Nebraska Budget Act, Sections 13-501 to 13-513, Reissue Revised Statutes of Nebraska, as amended, for levy and collection in such amounts, if any, as may be required to pay the principal or redemption price of and interest on the Bonds as the same become due. No further action is required to implement the Agency Bond Levy. All taxes collected under the Agency Bond Levy shall be credited to the Agency as soon as practicable.

Facilities Agreement

The Facilities Agreement provides that in the event that 30 days prior to the payment date of any principal or interest on the Bonds, amounts in the Debt Service Fund are insufficient to fully pay the principal of or interest on all outstanding Bonds, the City shall loan to the Agency the full amount of any such deficiency not later than such date of payment. Such loan shall bear interest at a rate equal to the current interest rate received by the City on its investment pool (computed on the basis of a 360-day year consisting of twelve 30-day months) from the date such amounts are loaned to the Agency until all such amounts are repaid by the Agency. Any such loan, together with interest accrued thereon, shall be repaid to the City (a) first, from the first receipts of Revenues, and (b) second, from taxes levied and collected by the Agency pursuant to the provisions of the Facilities Agreement. If the projected actual Available Revenues (defined to be all cash receipts of the Agency, plus unrestricted amounts in the Surplus Fund, less all cash payments of the Agency, including, without limitation, debt service on Bonds, operation and maintenance expenses and deposits to the Depreciation and Replacement Fund) for the fiscal year are less than the budgeted Available Revenues for such fiscal year by \$1,000,000 or more, the Agency is obligated to implement the Agency Bond Levy. See **“THE AGENCY,” “SECURITY,” “NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION,”** and **“APPENDIX D - SUMMARY OF PRINCIPAL DOCUMENTS - JPA Agreement”** and **“- Bond Resolution.”**

NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION

The Nebraska Legislature (the **“Legislature”**) has in recent years enacted and amended legislation intended to reduce the level of property taxation and political subdivision expenditures in the State of Nebraska (the **“State”**). The

statutory sections having the most significant impact on the Agency are Section 13-519, Reissue Revised Statutes of Nebraska (as enacted in 1996 and amended from time to time, “**Section 13-519**”), which provides for an overall limitation on the use of “restricted funds” revenue sources for cities, counties and certain other political subdivisions, and Section 77-3442, Reissue Revised Statutes of Nebraska (as enacted in 1996 and amended from time to time, “**Section 77-3442**”) which reduces the rate of taxation for general property taxes authorized for cities and counties. Among other provisions, 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 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 (a) property taxes, excluding any amounts refunded to taxpayers, (b) payments in lieu of property taxes, (c) local option sales taxes, (d) motor vehicle taxes, (e) state aid, (f) 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, and (g) 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. 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 that 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, and larger increases are permitted with the approval of a majority of legal voters voting on the issue of such increase at a special election held for such purposes.

Under Section 77-3442, the rates for levying property taxes are limited for each type of governmental unit in the State. The rate for cities such as the City is no more than 50¢ per \$100 of taxable valuation, except that 5¢ per \$100 of taxable valuation of property subject to the levy may only 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, Reissue Revised Statutes of Nebraska, as amended, 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 Agency made no levy in 2012 and will not be required to make any levy in 2013 for collection in 2014. The Agency is not authorized to make any levy for operating expenses in the future.

Ad valorem taxes levied to pay debt service on the Bonds are not subject to either the budget limitations or the levy limitations described above.

Future legislation, decisions of the Nebraska Supreme Court, or initiative petitions proposed and passed by qualified voters in the State may alter the limitations set forth in Section 13-519 and Section 77-3442, or may otherwise modify the sources of and limitations on the revenues used by governmental units in the State to finance their activities.

LEGAL MATTERS

Legal Proceedings

As of the date hereof, there is no controversy, suit or other proceeding of any kind pending or threatened raising, or which may raise, any question or dispute or affecting in any way the legal organization of the Agency, the City or the Regents or the right or title of any officer to his or her respective offices, or the legality of any official act in connection with the authorization, issuance and sale of the Bonds, or the constitutionality or validity of the Bonds or

any of the proceedings had in relation to the authorization, issuance or sale thereof, or the levy and collection of a tax to pay the principal and interest thereof, or which might affect the Agency's ability to meet its obligations to pay the Bonds.

Approval of Legality

All legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Gilmore & Bell, P.C., Lincoln, Nebraska, Bond Counsel. Certain legal matters will be passed upon for the City and the Agency by Rodney M. Confer, City Attorney and general counsel to the Agency. Bond Counsel has participated in the preparation of this Official Statement, but the factual and financial information appearing herein has been supplied or reviewed by certain officials of the City and independent auditors, as referred to herein, and Bond Counsel expresses no opinion as to the accuracy or sufficiency thereof.

TAX MATTERS

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

Opinion of Bond Counsel

In the opinion of Gilmore & Bell, P.C., Bond Counsel, under the law existing as of the issue date of the Bonds:

Federal and Nebraska Tax Exemption. The interest on the Bonds (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. Interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Bank Qualification. The Bonds have not been designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

Bond counsel's opinions are provided as of the date of the original issue of the Bonds, subject to the condition that the Agency and the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Agency and the City have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal and Nebraska income tax purposes retroactive to the date of issuance of the Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Bonds but has reviewed the discussion under the heading "**TAX MATTERS.**"

Other Tax Consequences

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

Original Issue Premium. If a Bond is issued at a price that exceeds the stated redemption price at maturity of the Bond, the excess of the purchase price over the stated redemption price at maturity constitutes “premium” on that Bond. Under Section 171 of the Code, the purchaser of that Bond must amortize the premium over the term of the Bond using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Bond 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 bond premium.

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

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

Collateral Federal Income Tax Consequences. Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, 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 Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Bonds, including the possible application of state, local, foreign and other tax laws.

CONTINUING DISCLOSURE

The Agency and the City are executing the Continuing Disclosure Undertaking for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission (the “**Rule**”). The Agency and the City are the only “obligated persons” with responsibility for continuing disclosure. The Agency and the City do not believe they have failed to comply, in all material respects, with their prior undertakings under the Rule within the past five years.

The Underwriter has requested the following information be included in this Official Statement. The City filed a notice with respect to a downgrade of its Tax-Supported Antelope Valley Project Bonds, Series 2002 on April 16, 2013. The rating agency released a report indicating the downgrade on May 23, 2012. The City’s undertaking related to the Tax-Supported Antelope Valley Project Bonds, Series 2002 required that a notice be provided promptly upon the City’s knowledge of such event and a determination that such event is material.

Annual Reports

Pursuant to the Continuing Disclosure Undertaking, the Agency and the City shall, not later than **May 1** of each year, commencing May 1, 2014, provide to the Municipal Securities Rulemaking Board (“**MSRB**”) the following financial information and operating data (the “**Annual Report**”):

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

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

(c) Updates as of the end of the fiscal year of the financial information and operating data relating to the City contained in **APPENDIX A** of this Official Statement in substantially the same format contained in this Official Statement.

Material Event Notices

No later than 10 business days after the occurrence of any of the following events, the City or the Agency shall give, or cause to be given to the MSRB, through EMMA, notice of the occurrence of any of the following events with respect to the Bonds (“**Material Events**”):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;

- (6) adverse tax opinions; the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of bondholders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Agency or the City;
- (13) the consummation of a merger, consolidation, or acquisition involving the Agency or the City or the sale of all or substantially all of the assets of the Agency or the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material.

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

Notwithstanding any other provision of the Continuing Disclosure Undertaking, the Agency, the City and any dissemination agent may amend the Continuing Disclosure Undertaking (and such dissemination agent shall agree to any amendment so requested by the Agency or the City) and any provision of the Continuing Disclosure Undertaking may be waived, provided Bond Counsel or other counsel experienced in federal securities law matters provides the Agency, the City and any dissemination agent with its opinion that the undertaking of the Agency and the City, as so amended or after giving effect to such waiver, is in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to the Continuing Disclosure Undertaking.

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

Electronic Municipal Market Access System (EMMA)

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

MISCELLANEOUS

Ratings

Moody's Investors Service, Inc. has assigned the Bonds a rating of "Aa1" and Standard & Poor's, a division of The McGraw-Hill Companies, has assigned the Bonds the rating of "AAA." Such ratings reflect only the views of such organizations, and an explanation of the significance of such ratings may be obtained from Moody's Investors Service, 7 World Trade Center, 350 Greenwich Street, 23rd Floor, New York, New York 10007, telephone (212) 553-0300, and Standard & Poor's, 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 Bonds.

Independent Auditors

The audited financial statements of the Agency, as of and for the period ended August 31, 2012, are included in "**APPENDIX C – WEST HAYMARKET JOINT PUBLIC AGENCY - ACCOUNTANT'S REPORT AND AUDITED FINANCIAL STATEMENTS.**" These financial statements have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. The Agency did not request BKD, LLP to perform any updating procedures subsequent to the date of its audit report on the August 31, 2012 financial statements.

The audited financial statements of the City, as of and for the year ended August 31, 2012, with summarized financial information as of and for the year ended August 31, 2011 are included in "**APPENDIX B – THE CITY OF LINCOLN, NEBRASKA - ACCOUNTANT'S REPORT AND AUDITED FINANCIAL STATEMENTS.**" These financial statements have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. The City did not request BKD, LLP to perform any updating procedures subsequent to the date of its audit report on the August 31, 2012 financial statements.

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Certification and Other Matters Regarding Official Statement

Information set forth in this Official Statement has been furnished or reviewed by certain officials of the Agency, the City, certified public accountants, and other sources, as referred to herein, which are believed to be reliable. Any statements made in this Official Statement involving matters of opinion, estimates or projections, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or projections will be realized.

Simultaneously with the delivery of the Bonds, each of the Agency and the City will furnish to the Underwriter a certificate which shall state, among other things, that to the best knowledge and belief of such officer, this Official Statement (and any amendment or supplement hereto) as of the date of sale and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading in any material respect.

The form of this Official Statement, and its distribution and use by the Underwriter, has been approved by the Agency. Neither the Agency nor any of its officers, directors or employees, in either their official or personal capacities, has made any warranties, representations or guarantees regarding the financial condition of the Agency or the Agency's ability to make payments required of it; and further, neither the Agency nor its officers, directors or employees assumes any duties, responsibilities or obligations in relation to the issuance of the Bonds other than those either expressly or by fair implication imposed on the Agency by the Bond Resolution.

WEST HAYMARKET JOINT PUBLIC AGENCY

THE CITY OF LINCOLN, NEBRASKA

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APPENDIX A

**THE CITY OF LINCOLN, NEBRASKA
GENERAL, ECONOMIC AND FINANCIAL INFORMATION**

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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 91.76 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 2012 population is 262,341.

City Government

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

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

Transportation

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

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

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

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

Government Center

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

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

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

Education

The University of Nebraska, with approximately 24,610 students, Nebraska Wesleyan University, with approximately 2,138 students, Union College, with approximately 901 students, Kaplan University, with approximately 690 students and Southeast Community College, with approximately 12,242 students and with a number of facilities for both full-time and part-time occupational training, are located in the City of Lincoln. The City's modern and progressive school system, with an enrollment of over 36,902 is served by 6 high schools, 11 middle schools, and 37 elementary schools. Lincoln is home to nearly 30 private and parochial schools. Lincoln's private school offerings range from pre-K to high school institutions. Affiliations include Roman Catholic, Lutheran, SDA, and nondenominational Christians.

Building Permits and Property Values

LAST TEN YEARS

FISCAL YEAR	COMMERCIAL 1 CONSTRUCTION		RESIDENTIAL 1 CONSTRUCTION		PROPERTY VALUE 2		TOTALS
	# PERMITS	VALUE	# PERMITS	VALUE	COMMERCIAL	RESIDENTIAL	
2012	1,372	\$ 338,918,061	2,319	\$ 186,712,560	\$ 4,476,953,562	\$ 10,745,000,908	\$ 15,221,954,470
2011	1,320	223,215,672	2,336	155,181,140	4,477,256,519	10,648,151,681	15,125,408,200
2010	1,234	241,509,266	2,225	116,914,465	4,438,463,100	10,546,474,527	14,984,937,627
2009	1,196	199,331,086	1,794	104,316,385	4,382,749,195	10,839,440,027	15,222,189,222
2008	1,064	274,267,477	2,261	149,678,215	4,246,365,596	10,723,170,809	14,969,536,405
2007	994	293,968,408	2,820	202,786,768	4,236,340,817	10,402,515,684	14,638,856,501
2006	1,088	263,006,153	3,150	195,885,622	3,814,534,869	9,083,290,211	12,897,825,080
2005	1,092	204,677,969	3,387	277,158,200	3,694,097,147	8,727,702,573	12,421,799,720
2004	1,061	258,670,339	3,846	321,126,701	3,598,787,015	8,402,403,364	12,001,190,379
2003	1,036	269,298,229	3,913	315,662,242	3,094,988,486	7,255,640,292	10,350,628,778

¹ City of Lincoln, Building and Safety Department.

² Lancaster County Assessor.

Police and Fire Protection

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

City Employee Information

For the 2012-2013 fiscal year, contracts have been signed with all but two of our unions. Unions include: the Lincoln Police Union (LPU) representing police officers; the International Association of Firefighters (IAF) representing firefighters, the Amalgamated Transit Union (ATU) representing transit workers, the Public Association of Government Employees (PAGE) representing labor, trades, and clerical personnel, the City Employees Association (CEA) representing supervisory, highly technical, and professional personnel, and the Lincoln M Class Employees Association (LMCEA) representing upper management, administration and professional personnel. The ATU and IAF contracts are awaiting City offers and expected to be finalized soon. The ATU contract will likely expire at the end of August, 2013. All other contracts will expire at the end of August, 2014.

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

SELECTED ECONOMIC INDICATORS

LINCOLN SMSA (LANCASTER COUNTY) NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT

	MAY 31, 2012		NOVEMBER 30, 2012	
	Number Employed	Percent of Total	Number Employed	Percent of Total
Industry Manufacturing:				
Durable Goods	7,797	4.4	8,218	4.6
Nondurable Goods	4,357	2.5	4,574	2.6
Total Industry Manufacturing	12,154	6.9	12,792	7.2
Nonmanufacturing:				
Natural Resource & Construction	6,982	4.0	7,156	4.0
Transportation, Communications & Utilities	10,456	5.9	10,395	5.8
Wholesale Trade	4,193	2.4	4,028	2.3
Retail Trade	19,076	10.8	19,278	10.8
Information	2,095	1.2	2,148	1.3
Finance, Insurance & Real Estate	13,627	7.7	13,651	7.6
Services (except domestic)	67,756	38.4	69,262	38.8
Government	39,936	22.7	40,037	22.4
Total Nonmanufacturing	164,121	93.1	165,955	93.0
TOTAL	176,275	100.0	178,747	100.0

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

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Civilian Labor Force	166,376	163,270	159,872	159,387	160,357	157,841	156,204	156,033	156,100	154,720
Unemployment	5,919	6,516	6,792	6,937	4,839	4,365	4,308	5,603	5,470	5,686
Percent of Labor Force	3.6	4.0	4.2	4.4	3.0	2.8	2.8	3.6	3.5	3.7
Employment	160,457	156,755	153,080	152,450	155,518	153,476	151,896	150,430	150,630	149,034

STATE OF NEBRASKA

Percent of Labor Force										
Unemployment	3.9	4.7	4.7	3.3	3.0	3.0	3.9	3.9	4.0	3.7

Source: State of Nebraska, Department of Labor

**LINCOLN PRINCIPAL EMPLOYERS
CURRENT YEAR**

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
State of Nebraska	8,894	1	5.00 %
Lincoln Public Schools	7,515	2	4.23
University of Nebraska-Lincoln	6,006	3	3.38
BryanLGH Medical Center	3,865	4	2.17
US Government	3,035	5	1.71
City of Lincoln	2,587	6	1.45
Saint Elizabeth Regional Medical Center	2,259	7	1.27
Burlington Northern Railroad	1,800	8	1.01
B&R Stores, Inc.	1,506	9	0.85
State Farm Insurance	1,382	10	0.78
Total	38,849		21.85 %

**DEMOGRAPHIC STATISTICS
LAST TEN YEARS**

<u>Year</u>	<u>Population 1</u>	<u>Per Capita Personal Income 2</u>	<u>School Enrollment 3</u>
2012	262,341	\$	36,902
2011	258,379	39,018	36,530
2010	254,001	37,231	35,896
2009	251,624	36,653	34,973
2008	248,744	38,204	34,061
2007	241,167	36,624	33,466
2006	239,213	35,251	32,934
2005	238,625	33,644	32,505
2004	236,146	32,907	32,270
2003	235,565	32,009	31,889

Sources:

1 Lincoln/Lancaster Planning Department.

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

Per Capita Income is based on Lincoln Metropolitan Statistical Area, which includes all of Lancaster and Seward Counties. Per Capita Income for 2012 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>
2012	79,698	94,592	129,163
2011	79,184	94,231	128,373
2010	78,740	93,916	129,322
2009	77,973	93,679	128,115
2008	77,532	93,419	126,978
2007	76,816	93,301	124,878
2006	75,919	92,824	123,376
2005	74,649	92,152	121,508
2004	73,059	91,046	119,456
2003	72,260	89,642	116,974

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
2012	\$ 39,048,320	70,444,362	18,471,067	22,518,532	14,673,671	22,070,619	10,288,935	31,689,831	229,205,337
2011	36,622,362	69,537,057	18,335,078	21,794,585	15,811,914	21,993,415	15,088,883	26,439,462	225,622,756
2010	35,865,006	64,679,523	19,832,223	21,483,873	15,359,628	21,652,729	12,034,413	17,032,401	207,939,796
2009	34,428,477	63,984,484	16,445,304	22,449,569	11,321,242	20,349,757	9,575,670	16,990,105	195,544,608
2008	35,278,575	61,147,903	16,482,240	21,686,564	14,685,668	21,053,132	10,707,601	14,427,795	195,469,478
2007	33,946,258	60,953,651	17,430,452	21,719,544	11,670,315	20,378,863	14,877,357	11,589,720	192,566,160
2006	34,666,641	60,064,604	16,928,575	20,938,212	12,623,307	25,566,267	8,901,327	11,016,269	190,705,202
2005	32,532,685	58,669,932	17,064,845	21,669,847	14,870,592	19,126,931	8,306,921	10,562,993	182,804,746
2004	30,884,544	55,272,920	13,633,902	22,308,940	14,728,510	18,544,667	10,525,090	7,914,521	173,813,094
2003	28,938,852	50,933,285	12,317,663	19,935,823	16,469,645	17,614,751	7,996,019	8,507,223	162,713,261

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

GENERAL REVENUES BY SOURCE ¹ LAST TEN FISCAL YEARS

Fiscal Year	Taxes And Special Assessment	Inter-Governmental	Permits And Fees	Reimbursement For Services	Investment Earnings	Other	Totals
2012	\$ 161,333,989	68,267,660	20,239,031	7,850,732	4,744,887	20,209,185	282,645,484
2011	144,632,640	71,532,824	18,524,372	7,521,366	5,454,877	11,279,552	258,945,631
2010	131,562,303	61,640,301	16,432,219	7,004,334	5,197,259	6,467,138	228,303,554
2009	130,360,416	75,099,973	17,119,002	6,600,299	5,791,391	7,818,015	242,789,096
2008	130,094,818	73,830,720	18,013,104	6,511,457	6,806,258	7,667,778	242,924,135
2007	125,328,388	63,928,043	19,126,239	6,491,112	10,371,565	7,052,107	232,297,454
2006	121,857,986	60,757,501	18,423,079	7,063,192	4,082,196	7,886,377	220,070,331
2005	119,318,079	63,180,171	16,535,049	6,936,334	4,327,311	12,028,417	222,325,361
2004	114,756,962	58,619,699	15,593,326	6,322,870	5,207,711	10,188,520	210,689,088
2003	107,114,577	52,773,424	12,679,623	6,097,336	4,353,336	8,234,138	191,252,434

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

**SPECIAL ASSESSMENT COLLECTIONS
LAST TEN YEARS ¹**

<u>Fiscal Year Ended August 31</u>	<u>Special Assessment Collections Including Interest</u>
2012	\$ 1,151,931
2011	1,103,720
2010	1,136,150
2009	1,071,238
2008	1,418,936
2007	1,448,146
2006	1,667,037
2005	1,413,582
2004	2,104,925
2003	1,814,191

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

Authority to Levy Taxes

Article IX, Section 3 of the Home Rule Charter of the City provides that the City shall have power to levy a tax each year for general revenue purposes upon all property subject to taxation; provided that the maximum amount of taxes that can be levied by the City in any one year for general revenue purposes shall not exceed an amount known as the City tax limit. The City tax limit is a tax ceiling established by using the September 1, 1966 City dollar tax limit as an initial tax limit, and increasing that tax limit each year following 1966 by 7% so that in each fiscal year thereafter, the amount of the City tax limit shall be the amount of the city tax limit for the previous year, plus 7% thereof. In addition, the City also has the power to levy taxes each year sufficient to pay any judgment existing against the City and the interest on bonded debt and the principal on any bonded debt maturing during the fiscal year or within six months thereafter, as well as taxes authorized by state law. The City is also authorized to receive all taxes collected and distributed pursuant to state law and in lieu of tax payments imposed by law. The 2012 tax levy for the 2012-2013 fiscal year is \$107,939,017 below the legal limit, a tax rate per \$100 valuation of .31580. The assessed value upon which the 2012 levy is based is \$16,676,196,896. By charter, only 90% of the property tax levy may be appropriated.

For the 2012-2013 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 2012-2013 the City can also use authority equal to the greater of 2.5% or the amount of real growth in the tax base that was 4.88%. An additional 1% can be authorized by a 75% vote of the City Council and was utilized for the 2012-2013 budget. The 2012-2013 budget is \$9,362,458 below the state imposed lid limit.

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

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

Tax Year	Taxes Levied	Collected As Of August 31 After Levy		Accumulated Collections As Of August 31, 2012	
		Amount	Percent	Amount	Percent
2012	\$ 50,214,817	\$ 48,788,943	97.16 %	\$ 48,788,943	97.16 %
2011	45,718,972	44,206,917	96.69	45,555,557	99.64
2010	45,197,040	43,791,366	96.89	45,185,352	99.97
2009	45,884,670	44,385,970	96.73	45,869,388	99.97
2008	45,052,028	43,526,689	96.61	45,040,680	99.97
2007	43,291,440	41,815,295	96.59	43,285,065	99.99
2006	40,930,818	39,549,553	96.63	40,927,608	99.99
2005	38,755,995	37,488,504	96.73	38,749,283	99.98
2004	36,994,112	35,696,288	96.49	36,902,819	99.75
2003	35,007,926	33,648,496	96.12	34,916,463	99.74

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.

<u>Taxpayers</u>	<u>Type of Business</u>	<u>2012 Assessed Valuations</u>	<u>Percentage Of Total Assessed Valuation</u>
Burlington Northern	Railroad	\$ 82,347,921	0.52%
B & J Partnership Ltd.	Building Management	79,342,600	0.50%
Kawasaki	Manufacturing	72,189,027	0.45%
Ameritas Life Insurance Corp	Insurance	59,515,629	0.37%
WEA Gateway LLC	Retail Management	57,102,771	0.36%
BryanLGH	Hospital	51,802,894	0.33%
Chateau Van Dorn LLC	Real Estate Development	49,141,073	0.31%
Pfizer	Animal Health	45,496,415	0.29%
Nebco	Construction/Development	44,869,204	0.28%
Windstream	Telecommunications	40,146,292	0.25%
		\$ 581,953,826	3.66%

CITY SALES TAX INFORMATION

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

**SALES AND USE TAX COLLECTIONS
LAST TEN YEARS**

Year Ended August 31	Amount
2012	\$ 61,472,342
2011	57,959,545
2010	54,925,013
2009	54,255,376
2008	55,733,297
2007	53,960,485
2006	54,270,346
2005	53,781,209
2004	51,869,477
2003	48,657,268

**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
2012	\$ 33,574,992	\$ 61,472,342	\$ 31,610	\$ 1,936,396	\$ 12,583,795	\$ 109,599,135
2011	31,449,267	57,959,545	30,957	1,755,098	11,699,691	102,894,558
2010	31,486,553	54,925,013	11,895	1,620,431	10,467,534	98,511,426
2009	33,783,984	54,255,376	8,143	1,540,752	10,071,230	99,659,485
2008	32,181,660	55,733,297	18,600	1,511,404	9,670,060	99,115,021
2007	31,454,763	53,960,485	10,492	1,399,939	9,596,588	96,422,267
2006	28,366,526	54,270,346	9,526	1,315,038	8,936,502	92,897,938
2005	26,727,618	53,781,209	12,445	1,159,742	9,169,791	90,850,805
2004	24,546,532	51,869,477	9,263	1,144,747	9,037,781	86,607,800
2003	22,780,085	48,657,268	10,876	1,199,507	8,831,712	81,479,448

**TAXABLE ASSESSED VALUATION
LAST TEN YEARS ¹**

Tax Year	Real Estate	All Other	Total
2013	\$ 15,969,385,392	\$ 706,811,504	\$ 16,676,196,896
2012	15,221,954,470	678,874,343	15,900,828,813
2011	15,125,408,200	755,852,220	15,881,260,420
2010	14,984,937,627	761,515,955	15,746,453,582
2009	15,222,189,222	713,383,515	15,935,572,737
2008	14,969,536,405	684,390,085	15,653,926,490
2007	14,638,856,501	703,307,287	15,342,163,788
2006	12,897,825,080	685,425,215	13,583,250,295
2005	12,421,799,720	716,716,506	13,138,516,226
2004	12,001,190,379	742,915,013	12,744,105,392

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

**TOTAL PROPERTY TAX LEVIES
ALL OVERLAPPING GOVERNMENTS
LAST TEN YEARS ¹**

	Tax Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
City of Lincoln	0.3158	0.2879	0.2879	0.2879	0.2879	0.2833	0.3009	0.2950	0.2903	0.3145
School District No. 1	1.2461	1.2462	1.2537	1.2668	1.2719	1.2764	1.3142	1.3141	1.3011	1.2830
Lancaster County	0.2683	0.2683	0.2683	0.2683	0.2755	0.2655	0.2841	0.2797	0.2683	0.2683
Educational Service Unit #18	0.0150	0.0145	0.0150	0.0150	0.0141	0.0141	0.0150	0.0150	0.0150	0.0150
Community Technical College	0.0627	0.0600	0.0676	0.0722	0.0689	0.0689	0.0696	0.0655	0.0655	0.0655
Lower Platte South Natural Res. Dist.	0.0398	0.0406	0.0410	0.0410	0.0418	0.0416	0.0422	0.0323	0.0323	0.0359
Railroad Transportation Safety Dist.	0.0260	0.0260	0.0260	0.0260	0.0260	0.0246	0.0260	0.0260	0.0248	0.0220
Lancaster County Correctional JPA City	0.0185	0.0189	0.0194	0.0195	-	-	-	-	-	-
Lancaster County Correctional JPA County	0.0105	0.0106	0.0107	0.0106	-	-	-	-	-	-
Agricultural Society of Lancaster County	0.0016	0.0017	0.0016	0.0015	0.0016	0.0016	0.0018	0.0020	0.0030	0.0012
Lancaster County Fairgrounds	0.0037	0.0038	0.0038	0.0038	0.0043	0.0037	0.0042	0.0042	0.0043	0.0050
Public Building Commission	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170
	<u>2.0250</u>	<u>1.9955</u>	<u>2.0120</u>	<u>2.0296</u>	<u>2.0090</u>	<u>1.9967</u>	<u>2.0750</u>	<u>2.0508</u>	<u>2.0216</u>	<u>2.0274</u>

¹The 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, 2012

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

Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
General Obligation Bonds:							
General Bonds:							
9,950	06/15/05	Storm Sewer Construction	3.250 - 4.250	Serial 2006 to 2025	2015	Semiannually	7,235
8,295	06/27/07	Stormwater Drainage and Flood Mgmt	4.625 - 5.000	Serial 2008 to 2027	2017	"	6,935
8,200	02/10/11	Stormwater Bonds	2.000 - 4.500	Serial 2013 to 2030	2020	"	8,200
19,290	06/21/11	Refunding	0.2000 - 5.000	Serial 2011 to 2022	2019	"	18,880
8,090	06/26/12	Refunding	1.000 - 3.000	Serial 2013 to 2023	na	"	8,090
Total General Bonds							<u>\$ 49,340</u>
Tax Allocation Bonds:							
5,500	04/21/04	Tax Allocation Bonds	3.000 - 4.800	Serial 2004 to 2015	2010	"	2,415
365	08/15/05	Tax Allocation Bonds	4.750	Serial 2006 to 2018	Anytime	"	187
288	10/01/06	Tax Allocation Bonds	5.100	Serial 2008 to 2016	Anytime	"	157
2,205	04/05/07	Tax Allocation Bonds	5.000 - 5.550	Serial 2009 to 2018	2012	"	1,655
601	06/01/07	Tax Allocation Bonds	5.240	Serial 2008 to 2018	Anytime	"	550
388	06/01/07	Tax Allocation Bonds	5.240	Serial 2007 to 2020	Anytime	"	275
369	06/15/07	Tax Allocation Bonds	5.400	Serial 2007 to 2014	Anytime	"	140
42	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2021	Anytime	"	33
71	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2017	Anytime	"	58
474	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2022	Anytime	"	280
547	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	435
200	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	157
611	06/30/09	Tax Allocation Bonds	7.00	Serial 2011 to 2023	Anytime	"	597
3,375	07/28/09	Tax Allocation Bonds	2.500 - 6.400	Serial 2011 to 2023	Anytime	"	3,175
263	04/01/11	Tax Allocation Bonds	3.990	Serial 2011 to 2022	Anytime	"	244
Total Tax Allocation Bonds							<u>\$ 10,358</u>
Tax Supported Bonds:							
27,000	12/05/06	Highway Allocation Fund	4.000 - 5.000	Serial 2008 to 2027	2016	Semiannually	22,155
28,095	06/06/12	Highway Allocation Fund	1.000 - 5.000	Serial 2012 to 2023	na	"	28,095
Total Tax Supported Bonds							<u>\$ 50,250</u>
Special Assessment Bonds:							
825	08/18/11	Special Assessment	0.400 - 3.700	Serial 2012 to 2026		Semiannually	775
375	08/18/11	Special Assessment	4.200	Term 2031		"	375
3,000	11/23/11	Special Assessment	2.000 - 3.500	Serial 2012 to 2031		"	2,860
Total Special Assessment Bonds							<u>\$ 4,010</u>
West Haymarket Joint Public Agency							
31,515	09/08/10	Facility Bonds Taxable Build America Bonds	3.500 - 4.45	Serial 2020 to 2030	Anytime	Semiannually	31,515
68,485	09/08/10	Facility Bonds Taxable Build America Bonds	4.750 / 5.000	Term 2035 & 2045	Anytime	"	68,485
15,785	12/01/10	Facility Bonds Taxable Build America Bonds	4.000 - 5.000	Serial 2020 - 2025	Anytime	"	15,785
52,180	12/01/10	Facility Bonds Taxable Build America Bonds	5.400 / 5.800 / 6.000	Term 2030 2035 2039	Anytime	"	52,180
32,035	12/01/10	Recovery Zone Economic Development	6.750	Term 2045	Anytime	"	32,035
44,290	08/24/11	Facility Bonds	3.500 - 5.000	Serial 2021 to 2032	2021	"	44,290
55,710	08/24/11	Facility Bonds	4.250 / 5.000	Term 2036 & 2042	2021	"	55,710
Total West Haymarket Joint Public Agency							<u>\$ 300,000</u>
TOTAL GENERAL OBLIGATION BONDS							<u>\$ 413,958</u>
Tax Supported Bonds:							
11,080	3/13/02	Antelope Valley Project	1.500 - 5.000	Serial 2002 to 2016	2012	Semiannually	<u>\$ 5,210</u>
Revenue Bonds:							
18,000	08/03/05	Wastewater Revenue	4.000 - 5.000	Serial 2006 to 2030	2015	Semiannually	\$ 14,460
16,710	04/18/07	Wastewater Revenue	4.000 - 4.500	Serial 2008 to 2029	2017	"	14,190
3,750	04/18/07	Wastewater Revenue	4.375	Term 2032	2017	"	3,750
38,290	05/24/12	Wastewater Revenue	1.000 - 5.000	Serial 2013 to 2028	2023	"	38,290
Total Wastewater Bonds							<u>\$ 70,690</u>
40,000	11/16/04	Water Revenue	3.000 - 5.000	Serial 2005 to 2025	2014	Semiannually	31,210
10,515	08/04/09	Water Revenue	2.000 - 4.125	Serial 2013 to 2029	2019	"	10,515
4,905	08/04/09	Water Revenue	4.5000	Term 2034	2019	"	4,905
10,895	06/21/12	Water Revenue	1.000 - 4.000	Serial 2013 to 2022	na	"	10,895
Total Water Bonds							<u>\$ 57,525</u>
4,360	12/18/01	Parking Revenue	3.750 - 5.000	Serial 2002 to 2017	2011	"	1,650
1,640	12/18/01	Parking Revenue	5.125	Term 2021	2011	"	1,640
2,065	12/29/10	Parking Revenue	1.250 - 2.850	Serial 2011 to 2014	N/A	"	1,185
7,745	01/27/11	Parking Revenue and Refunding	2.000 - 5.000	Serial 2015 to 2024	2021	"	7,745
10,775	01/27/11	Parking Revenue and Refunding	5.000 / 5.125 / 5.500	Term 2026 & 2031	2021	"	10,775
Total Parking Bonds							<u>\$ 22,995</u>
4,000	08/17/06	Solid Waste Management Revenue	4.000 - 4.250	Serial 2007 to 2021	2013	Semiannually	\$ 2,800
148,190	10/01/02	Electric Revenue and Refunding Bonds	4.000 - 5.000	Serial 2004 to 2025	2012	"	70,040
93,045	10/01/03	Electric Revenue and Refunding Bonds	3.000 - 5.000	Serial 2004 to 2026	2014	"	74,905
33,265	10/01/03	Electric Revenue and Refunding Bonds	4.750	Term 2028	2014	"	33,265
61,290	10/01/05	Electric Revenue Bonds	5.000	Serial 2029 to 2032	2015	"	61,290
53,710	10/01/05	Electric Revenue Bonds	4.750	Term 2035	2015	"	53,710
183,230	05/15/07	Electric Revenue and Refunding Bonds	4.000 - 5.000	Serial 2009 to 2035	2016	"	172,490
81,850	05/15/07	Electric Revenue and Refunding Bonds	4.500 / 4.750	Term 2034 & 2037	2016	"	81,850
Total Electric Bonds							<u>\$ 547,550</u>
TOTAL REVENUE BONDS							<u>\$ 701,560</u>

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

Fiscal Year Ended August 31	Governmental Activities					
	General Obligation Bonds		Tax Supported Bonds		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 7,683	19,140	740	238	3,842	962
2014	8,876	19,022	780	200	3,983	878
2015	9,236	18,766	815	162	4,076	787
2016	9,606	18,433	855	122	4,165	680
2017	8,724	18,114	2,020	51	2,955	573
2018 - 2022	54,714	85,303	-	-	8,894	1,822
2023 - 2027	69,719	71,004	-	-	5,123	613
2028 - 2032	55,270	57,191	-	-	333	32
2033 - 2037	62,955	43,267	-	-	-	-
2038 - 2042	76,235	25,396	-	-	-	-
2043 - 2046	50,940	5,492	-	-	-	-
	<u>413,958</u>	<u>381,128</u>	<u>5,210</u>	<u>773</u>	<u>33,371</u>	<u>6,347</u>

Fiscal Year Ended August 31	Business-Type Activities					
	Revenue Bonds		Loans Payable		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 27,200	32,687	368	139	343	49
2014	28,440	31,411	527	259	350	41
2015	29,605	30,123	693	371	297	32
2016	30,920	28,746	709	355	243	27
2017	32,355	27,288	725	338	248	22
2018 - 2022	167,615	112,587	3,887	1,431	790	48
2023 - 2027	117,085	79,931	4,365	954	-	-
2028 - 2032	117,995	52,148	4,448	415	-	-
2033 - 2037	122,705	23,693	810	25	-	-
2038	27,640	1,244	-	-	-	-
	<u>\$ 701,560</u>	<u>419,858</u>	<u>16,532</u>	<u>4,287</u>	<u>2,271</u>	<u>219</u>

Fiscal Year Ended August 31	Major Enterprise Funds					
	Wastewater System		Water System		Electric System	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 3,488	2,925	3,360	2,397	19,610	26,333
2014	3,724	2,858	3,498	2,323	20,595	25,353
2015	3,909	2,838	3,649	2,239	21,620	24,323
2016	4,047	2,665	3,752	2,107	22,675	23,271
2017	4,200	2,493	3,875	1,971	23,800	22,146
2018 - 2022	22,513	10,690	21,435	7,169	120,725	91,862
2023 - 2027	26,752	6,262	12,993	2,897	75,095	68,966
2028 - 2032	15,407	1,520	5,225	1,190	95,195	48,970
2033 - 2037	554	17	2,366	151	120,595	23,550
2038 - 2042	-	-	-	-	27,640	1,244
	<u>\$ 84,594</u>	<u>32,268</u>	<u>60,153</u>	<u>22,444</u>	<u>547,550</u>	<u>356,018</u>

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

Net assets of \$4,447,455, \$2,847,674, \$10,305,977, and \$363,083 are currently available in the debt service funds to service the General Obligation Bonds, Tax Supported Bonds, Tax Allocation Bonds, and Special Assessment Bonds, respectively. Revenue Bonds are funded partially from reserve accounts set up for debt repayment and partially from proceeds of daily operations.

The City has entered into lease agreements for financing the acquisition of land, buildings, street lights, emergency ambulances and defibrillators, fire engines, golf equipment and computer equipment and software. These lease agreements

qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Land	\$ 1,774,450	\$ 210,000
Buildings	19,307,004	-
Improvements	219,925	-
Infrastructure	15,475,023	-
Machinery and Equipment	4,699,356	3,122,785
Construction In Progress	672,247	160,297
Less Accumulated Depreciation, (where applicable)	<u>(6,939,014)</u>	<u>(2,219,160)</u>
Total	<u>\$ 35,208,991</u>	<u>\$ 1,273,922</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, 2012, 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	\$ 413,958,000	100.0 %	\$ 413,958,000
Overlapping:			
School District #1	351,443,000	99.5	349,686,000
Lower Platte South N.R.D.	-	75.4	-
Lancaster County	1,070,000	85.4	914,000
Public Building Commission	39,270,000	85.4	33,537,000
Lancaster County Correctional Facility	57,130,000	85.4	48,789,000
Lancaster County Fairgrounds	8,115,000	85.4	6,930,000
	<u>457,028,000</u>		<u>439,856,000</u>
Total	<u>\$ 870,986,000</u>		<u>\$ 853,814,000</u>

The City has no direct liability for the School District, Lower Platte South N.R.D., Lancaster County, Public Building Commission, Lancaster County Fairgrounds or Lancaster County Correctional Facility debt summarized above. This results in a per capita direct City debt of \$1,577.94; a per capita direct and overlapping debt of \$3,254.60; a ratio of direct City debt to 2012 actual valuation of 2.60 percent; and a ratio of direct and overlapping debt to 2012 actual valuation of 5.37 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, 2012, the Airport Authority had outstanding \$9,540,000 in aggregate principal amount of its general obligation airport bonds. The Airport Authority anticipates that such bonds will be paid from revenues derived from its operations of the Lincoln Municipal Airport, but the Airport Authority is authorized to levy a property tax, at a rate not to exceed three and five-tenths cents (\$.035) on each \$100 of taxable valuation, on all the taxable property in the City. The Airport Authority has not levied a property tax since 1985 for any purpose, including airport operating expenses or debt service on its bonds.

Debt Payment Record

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

Contingencies

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

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

Fiscal Year	Principal	Interest ²	Total Debt Service	Total General Governmental Expenditures ¹	Ratio Of Debt Service To Total General Expenditures
2012	\$ 7,485,645	\$ 5,123,060	\$ 12,608,705	\$ 229,205,337	5.50 %
2011	6,857,978	5,147,840	12,005,818	225,622,756	5.32
2010	7,457,532	5,676,933	13,134,465	207,939,796	6.32
2009	8,036,544	5,814,071	13,850,615	195,544,608	7.08
2008	6,824,828	5,979,172	12,804,000	195,469,478	6.55
2007	5,617,536	4,986,687	10,604,223	192,566,160	5.51
2006	5,770,794	4,670,734	10,441,528	190,705,202	5.48
2005	5,421,699	4,860,926	10,282,625	182,804,746	5.62
2004	4,934,224	2,893,437	7,827,661	173,813,094	4.50
2003	5,435,370	2,986,634	8,422,004	162,713,261	5.18

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

² Does not include fiscal and miscellaneous charges.

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

Fiscal Year	General Obligation Bonded Debt	Sinking Funds	Net General Obligation Bonded Debt	Population ¹	Net G.O. Bonded Debt Per Capita	Assessed Valuation Real And Personal	Ratio of Net Debt To Assessed Valuation Real & Personal ²	Assessed Valuation Of Taxable Real Property ²	Ratio of Net Debt To Estimated Valuation Of Taxable Real Property
2012	\$ 113,958,000	\$ 15,142,000	\$ 98,816,000	262,341	\$ 376.67	\$ 15,900,828,813	0.62%	\$ 15,221,954,470	0.65%
2011	119,663,000	13,305,000	106,358,000	258,379	411.64	15,881,260,420	0.67%	15,125,408,200	0.70%
2010	118,383,000	13,480,000	104,903,000	254,001	413.00	15,746,453,582	0.67%	14,984,937,627	0.70%
2009	125,181,000	13,604,000	111,577,000	251,624	443.43	15,935,572,737	0.70%	15,222,189,222	0.73%
2008	128,581,000	12,962,000	115,619,000	248,744	464.81	15,653,926,490	0.74%	14,969,536,405	0.77%
2007	133,413,000	11,574,000	121,839,000	241,167	505.21	15,342,163,788	0.79%	14,638,856,501	0.83%
2006	99,347,000	9,733,000	89,614,000	239,213	374.62	13,583,250,295	0.66%	12,897,825,080	0.69%
2005	104,538,000	13,364,000	91,174,000	238,625	382.08	13,138,516,226	0.69%	12,421,799,720	0.73%
2004	98,915,000	20,509,000	78,406,000	236,146	332.02	12,744,105,392	0.62%	12,001,190,379	0.65%
2003	61,759,000	17,083,000	44,676,000	235,565	189.65	11,130,588,167	0.40%	10,350,628,778	0.43%

¹ Source: Lincoln/Lancaster Planning Department.

² Assessed valuation is 100% of actual

**REVENUE BOND COVERAGE
LAST TEN FISCAL YEAR**

	Gross Revenue	Direct Operating Expenses	Net Available Revenue	Debt Service Requirements			Coverage
				Principal	Interest	Total	
<u>Wastewater System</u>							
2012	\$ 24,763,975	12,378,673	12,385,302	3,137,858	3,655,156	6,793,014	1.82
2011	23,546,370	12,543,964	11,002,406	2,865,000	3,647,609	6,512,609	1.69
2010	22,472,095	11,664,593	10,807,502	2,695,000	3,731,444	6,426,444	1.68
2009	22,643,270	11,771,291	10,871,979	2,620,000	3,820,044	6,440,044	1.69
2008	22,347,867	11,393,624	10,954,243	2,415,000	4,030,454	6,445,454	1.70
2007	21,158,743	11,462,964	9,695,779	2,005,000	3,081,481	5,086,481	1.91
2006	19,827,194	11,125,819	8,701,375	2,065,000	3,043,500	5,108,500	1.70
2005	18,248,683	10,482,955	7,765,728	1,500,000	2,403,519	3,903,519	1.99
2004	18,092,619	10,042,919	8,049,700	1,750,000	2,133,704	3,883,704	2.07
2003	15,607,743	9,086,469	6,521,274	1,032,500	266,722	1,299,222	5.02
<u>Water System</u>							
2012	\$ 35,984,891	15,636,494	20,348,397	5,380,000	2,955,202	8,335,202	2.44
2011	30,629,506	15,455,027	15,174,479	6,310,000	3,191,857	9,501,857	1.60
2010	26,515,467	14,091,292	12,424,175	6,050,000	3,458,097	9,508,097	1.31
2009	27,838,187	14,995,077	12,843,110	5,795,000	3,128,414	8,923,414	1.44
2008	27,257,184	14,425,521	12,831,663	5,555,000	3,376,201	8,931,201	1.44
2007	29,386,495	14,351,136	15,035,359	5,340,000	3,612,001	8,952,001	1.68
2006	29,014,999	13,808,214	15,206,785	5,130,000	3,834,301	8,964,301	1.70
2005	27,153,937	13,145,665	14,008,272	4,895,000	3,517,932	8,412,932	1.67
2004	24,557,918	12,477,486	12,080,432	3,115,000	2,411,632	5,526,632	2.19
2003	22,094,721	11,631,496	10,463,225	3,010,000	2,898,489	5,908,489	1.77
<u>Parking Facilities</u> ¹							
2012	\$ 7,382,101	3,823,131	3,558,970	860,000	1,078,688	1,938,688	1.84
2011	7,698,018	3,606,008	4,092,010	580,000	689,717	1,269,717	3.22
2010	6,869,392	3,340,601	3,528,791	1,435,000	558,519	1,993,519	1.77
2009	7,014,250	2,874,768	4,139,482	1,360,000	624,394	1,984,394	2.09
2008	7,134,709	2,912,511	4,222,198	1,305,000	687,194	1,992,194	2.12
2007	6,645,013	2,781,952	3,863,061	1,240,000	746,374	1,986,374	1.94
2006	6,785,593	2,775,122	4,010,471	1,185,000	799,931	1,984,931	2.02
2005	6,219,935	2,972,709	3,247,226	1,140,000	850,501	1,990,501	1.63
2004	6,299,598	2,733,492	3,566,106	1,145,000	908,456	2,053,456	1.74
2003	5,988,240	2,304,632	3,683,608	1,085,000	962,829	2,047,829	1.80
<u>Solid Waste Management</u>							
2012	\$ 7,745,565	6,376,120	1,369,445	220,000	124,025	344,025	3.98
2011	7,615,130	6,253,133	1,361,997	210,000	132,425	342,425	3.98
2010	7,377,385	5,768,077	1,609,308	200,000	140,425	340,425	4.73
2009	7,664,336	5,491,789	2,172,547	195,000	148,225	343,225	6.33
2008	8,537,520	5,540,292	2,997,228	190,000	155,825	345,825	8.67
2007	8,020,390	5,290,802	2,729,588	185,000	160,825	345,825	7.89

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

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

	<u>F.Y. 2012</u>	<u>F.Y. 2011</u>	<u>F.Y. 2010</u>	<u>F.Y. 2009</u>	<u>F.Y. 2008</u>	<u>F.Y. 2007</u>	<u>F.Y. 2006</u>	<u>F.Y. 2005</u>	<u>F.Y. 2004</u>	<u>F.Y. 2003</u>
Cash & Investment Balance - September 1 of Year Indicated	16,942,409	14,597,487	16,286,626	15,738,481	14,632,274	13,475,643	18,948,253	23,521,130	26,784,845	26,589,993
Receipts:										
Property Tax	33,574,992	31,449,267	31,486,553	33,783,984	32,181,660	31,454,763	28,366,526	26,727,618	24,546,532	22,780,085
City Sales & Use Tax	61,472,342	57,959,545	54,925,013	54,255,376	55,733,297	53,960,485	54,270,346	53,781,209	51,869,477	48,657,268
Other Income	<u>36,542,477</u>	<u>33,232,580</u>	<u>27,906,103</u>	<u>27,389,492</u>	<u>26,270,119</u>	<u>27,663,641</u>	<u>25,390,112</u>	<u>25,620,145</u>	<u>23,615,320</u>	<u>24,933,838</u>
Total Receipts	131,589,811	122,641,392	114,317,669	115,428,852	114,185,076	113,078,889	108,026,984	106,128,972	100,031,329	96,371,191
Less Disbursements	<u>125,742,998</u>	<u>120,296,470</u>	<u>116,006,808</u>	<u>114,880,707</u>	<u>113,078,869</u>	<u>111,922,258</u>	<u>113,499,594</u>	<u>110,701,849</u>	<u>103,295,044</u>	<u>96,176,339</u>
Cash & Investment Balance - August 31 of Year Indicated	<u><u>22,789,222</u></u>	<u><u>16,942,409</u></u>	<u><u>14,597,487</u></u>	<u><u>16,286,626</u></u>	<u><u>15,738,481</u></u>	<u><u>14,632,274</u></u>	<u><u>13,475,643</u></u>	<u><u>18,948,253</u></u>	<u><u>23,521,130</u></u>	<u><u>26,784,845</u></u>

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

	<u>F.Y. 2012</u>	<u>F.Y. 2011</u>	<u>F.Y. 2010</u>	<u>F.Y. 2009</u>	<u>F.Y. 2008</u>	<u>F.Y. 2007</u>	<u>F.Y. 2006</u>	<u>F.Y. 2005</u>	<u>F.Y. 2004</u>	<u>F.Y. 2003</u>
Cash Balance - September 1 of Year Indicated	2,234,981	2,941,245	3,533,968	4,201,889	4,057,088	2,761,491	3,364,608	3,570,557	2,935,997	3,440,537
Receipts:										
Property Tax	5,773,392	5,337,610	5,517,878	5,689,007	5,709,454	5,460,690	2,973,410	5,607,615	5,387,468	5,883,592
Interest Income	13,723	28,331	60,063	131,475	153,977	84,935	86,812	83,286	48,595	32,298
Bond Proceeds	8,369,497	20,236,484						6,597,635		9,436,083
Other Income	<u>110,962</u>	<u>116,758</u>	<u>124,279</u>	<u>173,446</u>	<u>1,003,173</u>	<u>1,927,112</u>	<u>2,935,603</u>	<u>149,038</u>	<u>691,340</u>	<u>240,110</u>
Total Receipts	<u>14,267,574</u>	<u>25,719,183</u>	<u>5,702,220</u>	<u>5,993,928</u>	<u>6,866,604</u>	<u>7,472,737</u>	<u>5,995,825</u>	<u>12,437,574</u>	<u>6,127,403</u>	<u>15,592,083</u>
Disbursements:										
Bonds Paid	2,390,000	2,720,000	4,110,000	4,320,000	4,260,000	3,950,000	4,250,000	3,850,000	3,215,000	4,177,765
Bonds Defeased										9,609,774
Interest Paid	1,822,197	1,753,957	2,178,545	2,335,411	2,456,373	2,217,610	2,342,582	2,197,207	2,271,548	2,309,084
Transfer to Trustee	8,242,367	21,746,822						6,504,876		
Other Disbursements	<u>118,023</u>	<u>204,668</u>	<u>6,398</u>	<u>6,438</u>	<u>5,430</u>	<u>9,530</u>	<u>6,360</u>	<u>91,440</u>	<u>6,295</u>	
Total Disbursements	<u>12,572,587</u>	<u>26,425,447</u>	<u>6,294,943</u>	<u>6,661,849</u>	<u>6,721,803</u>	<u>6,177,140</u>	<u>6,598,942</u>	<u>12,643,523</u>	<u>5,492,843</u>	<u>16,096,623</u>
Equity Transfer										
Cash Balance - August 31 of Year Indicated	<u><u>3,929,968</u></u>	<u><u>2,234,981</u></u>	<u><u>2,941,245</u></u>	<u><u>3,533,968</u></u>	<u><u>4,201,889</u></u>	<u><u>4,057,088</u></u>	<u><u>2,761,491</u></u>	<u><u>3,364,608</u></u>	<u><u>3,570,557</u></u>	<u><u>2,935,997</u></u>

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

	<u>F.Y. 2012</u>	<u>F.Y. 2011</u>	<u>F.Y. 2010</u>	<u>F.Y. 2009</u>	<u>F.Y. 2008</u>	<u>F.Y. 2007</u>	<u>F.Y. 2006</u>	<u>F.Y. 2005</u>	<u>F.Y. 2004</u>	<u>F.Y. 2003</u>
Cash & Investment Balance - September 1 of Year Indicated	759,180	4,302,257	4,161,711	11,148,146	9,991,053	8,846,000	7,583,251	7,830,502	6,910,967	6,586,633
Receipts:										
Special Assessment Collections	1,049,570	996,209	984,301	954,672	1,235,621	1,257,112	1,476,284	1,208,686	1,654,695	1,271,575
Interest on Special Assessments	98,844	106,379	148,383	112,749	179,258	188,349	189,927	204,108	267,298	346,725
City's Share of Costs	621,898	233,615	292,420	34,802		187,957	723,038	578,992	116,009	97,107
Developers' Share of Costs										
Bond Proceeds	3,036,003	1,200,000								
Interest on Investments	47,349	60,248	135,149	335,273	453,282	340,274	254,809	217,996	140,289	130,555
Miscellaneous		38,456			33,964	49,403	74,657	30,687	288,482	195,535
Total Receipts	<u>4,853,664</u>	<u>2,634,907</u>	<u>1,560,253</u>	<u>1,437,496</u>	<u>1,902,125</u>	<u>2,023,095</u>	<u>2,718,715</u>	<u>2,240,469</u>	<u>2,466,773</u>	<u>2,041,497</u>
Disbursements:										
Construction Costs	2,359,096	2,081,765	1,113,691	861,203	742,698	766,768	1,066,513	1,796,239	1,399,323	1,560,456
Bonds Paid	190,000					55,000		100,000	105,000	105,000
Equity Transfer				7,554,009						
Interest Paid on Bonds & Notes	94,911	3,758,342				37,581		3,425	10,420	17,534
Other Refunds & Expenses	620,064	337,877	306,016	8,719	2,334	18,693	389,453	588,056	32,495	34,173
Total Disbursements	<u>3,264,071</u>	<u>6,177,984</u>	<u>1,419,707</u>	<u>8,423,931</u>	<u>745,032</u>	<u>878,042</u>	<u>1,455,966</u>	<u>2,487,720</u>	<u>1,547,238</u>	<u>1,717,163</u>
Cash & Investment Balance - August 31 of Year Indicated	<u>2,348,773</u>	<u>759,180</u>	<u>4,302,257</u>	<u>4,161,711</u>	<u>11,148,146</u>	<u>9,991,053</u>	<u>8,846,000</u>	<u>7,583,251</u>	<u>7,830,502</u>	<u>6,910,967</u>

APPENDIX B

**THE CITY OF LINCOLN, NEBRASKA
ACCOUNTANT'S REPORT AND AUDITED FINANCIAL STATEMENTS**

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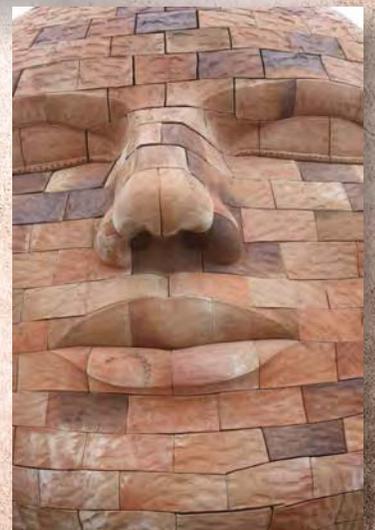


Comprehensive **ANNUAL**



FINANCIAL R E P O R T

Fiscal Year Ended August 31, 2012



On the cover:

Top photo: Inside the new Pinnacle Bank Arena, set to open in fall 2013.

Middle photo: Children enjoy the Dean and Pat Muhleisen Memorial Fountain in Union Plaza.

Bottom photo: The Colossus, a sculpture by James Tyler in Union Plaza.

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

**OF THE
CITY OF LINCOLN, NEBRASKA**

FOR THE FISCAL YEAR ENDED AUGUST 31, 2012

Prepared by:

The Accounting Division of the Finance Department

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INTRODUCTORY SECTION

OFFICIALS OF THE CITY OF LINCOLN

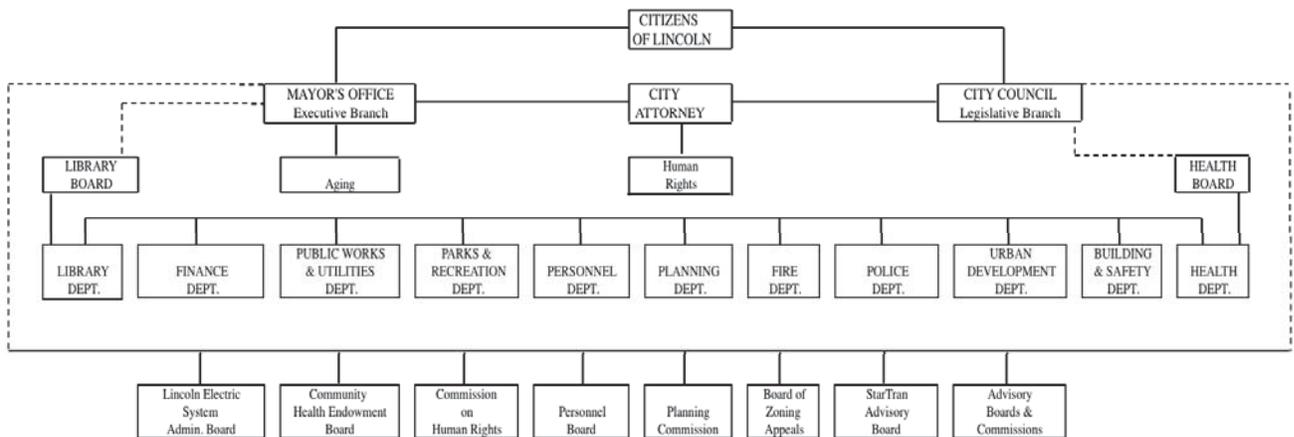
Chris Beutler Mayor
 Carl Eskridge.....Chair, City Council
 Jon Camp..... Vice Chair, City Council
 Eugene Carroll..... Council Member
 Jonathan Cook..... Council Member
 Doug Emery Council Member
 Lloyd Hinkley Council Member
 DiAnna Schimek Council Member

* * * * *

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

* * * * *

CITY OF LINCOLN ORGANIZATION CHART



**CITY OF LINCOLN, NEBRASKA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED AUGUST 31, 2012
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MAYOR CHRIS BEUTLER
555 South 10th Street Suite 301 Lincoln, NE 68508
402-441-7511 lincoln.ne.gov

February 25, 2013

Dear Citizens and Public Officials:

It is my pleasure to submit the City of Lincoln's Comprehensive Annual Financial Report for the fiscal year ended August 31, 2012.

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

Our ability to manage the City's fiscal affairs and provide a full disclosure of the City's fiscal condition is exhibited by the unqualified audit opinion that follows. I am proud to report that the 2011 report submitted to the Government Finance Officers Association was recognized with the prestigious Certificate of Achievement for Excellence in Financial Reporting for the 29th consecutive year. This recognition is a credit to the City and a compliment to our dedicated Finance Department.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Beutler", with a long, sweeping underline that extends to the right.

Chris Beutler
Mayor of Lincoln



FINANCE DEPARTMENT

555 South 10th Street Suite 103 Lincoln, NE 68508
402-441-7411 fax: 402-441-8325 lincoln.ne.gov

February 25, 2013

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

Both the City Charter and State law require an annual audit of the City's funds and accounts be made by a recognized independent and qualified accountant covering all financial transactions, affairs, and financial condition of the City, with the audit report published within six months after the close of the fiscal year. Pursuant to this requirement, the Comprehensive Annual Financial Report (CAFR) of the City of Lincoln, Nebraska for the fiscal year ended August 31, 2012, is hereby submitted.

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

As a recipient of federal, state and local financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. The federal government, under the revised OMB Circular A-133, requires local governments that expend \$500,000 or more in federal funds in any fiscal year to have a financial and compliance audit performed. As part of the City's Single Audit, tests were made of the City's internal control structure over compliance and its compliance with applicable laws and regulations, including those related to major federal financial assistance programs. The Single Audit for the year ended August 31, 2012, disclosed no material internal control weaknesses. The independent accountants' reports are included in the Single Audit section found at the end of the CAFR.

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

A firm of licensed certified public accountants has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent accountants concluded, based upon the audit, that there was a reasonable basis for rendering unqualified opinions that the City's financial statements for the fiscal year ended August 31, 2012, are fairly presented in conformity with GAAP.

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

Profile of the City

The City of Lincoln, capital city of Nebraska, was originally incorporated on April 7, 1869. Lincoln is located in the southeastern corner of the state, is midway between Chicago and Denver, and is currently one of the fastest growing metro areas in the Midwest. It occupies a land area of approximately 90 square miles, serves a population of over 262,000, 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; auditorium; parking facilities; and general administrative services.

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

Beginning with the fiscal year 2012/2013, the City of Lincoln converted to adopting a biennial budget. The biennial budget serves as the basis for the City of Lincoln's financial planning and control. Following public hearings and not later than five days prior to the beginning of the biennium, the budget is legally adopted by resolution of the City Council. Appropriation controls are required at the department level, however, as a matter of policy and practice, appropriations generally are controlled at the next level of organization (division) or by fund within a department. The Mayor has the authority to transfer balances within a department as well as lower appropriations in any fund where actual revenues are less than appropriated in order to avoid incurring a budget deficit for the year. Appropriation transfers between departments may only be authorized by resolution of the City Council. The Council may not make any appropriations in 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, the Lincoln metropolitan area population grew by 83.80 percent since 1960. Lancaster County's rate of growth between 2000 and 2010 has been 14.0 percent or approximately 1.28 percent per year. The 2011 population of Lancaster County has been estimated to be in excess of 289,000 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, 2012, was 3.4%, well below the national average of 8.95%, with employment strongest in the categories of government, educational & health services, and retail trade. While Lincoln's current number of construction permits is down 3% when compared to levels 5 years ago, there is an increase in the value of construction permits of over \$29 million.

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

Net sales and use tax revenue increased \$4,392,451 or 7.6% from the previous fiscal year. In relation to this primary revenue source, the City is seeing signs of recovery from the negative economic factors that have affected the local and national economies.

Long-Term Planning and Major Initiatives

Urban Development

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

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

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

Ongoing and anticipated future projects include:

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

- ✓ N 33rd, P to Holdrege.
- ✓ East Beltway preliminary acquisitions.
- ✓ South Beltway preliminary acquisitions.

2) For environmental quality:

- ✓ Park sites citywide.
- ✓ Stevens Creek sanitary sewer Phase III, IV & V.
- ✓ Yankee Hill water main, 56th to 84th Street.
- ✓ 98th Street water main, Holdrege to Alvo.
- ✓ West O sanitary sewer lift station.
- ✓ 6th & Old Cheney Road drainage project.
- ✓ Storm water bond projects.
- ✓ Miscellaneous sanitary sewer upgrade projects.
- ✓ Conservation easements and wetlands acquisitions.
- ✓ Additional projects made possible by Federal Infrastructure Stimulus funds.

3) Relocation activities:

- ✓ North 27th Street projects.
- ✓ West Haymarket projects.
- ✓ 1st & Cornhusker Hwy project.
- ✓ 14th/Old Cheney/Warlick intersection project.

- Workforce Investment Act funds received by the City provide employment skills to low-income adults and youth and also to individuals laid-off from area employers. Funding is provided for GED, Adult Education and Literacy Activities, secondary and post-secondary education, and placement in work experience and On-the-Job Training (OJT) with an emphasis on high wage and high demand occupations.

Services are provided from the Career Center located in the Gold's Building. Partner agencies co-located at the Center include Goodwill Industries, Vocational Rehabilitation, Nebraska Department of Labor, and Experience Works. Annually over 30,000 job seeker customer visits are made to the Center and over 500 employers use the Center services.

Examples of specialized projects this year include:

- 1) "The Metro SyNErgy" project in Lincoln and Omaha providing training in green building technology to unemployed and incumbent workers.
- 2) A specialized work readiness class for youth, which combines literacy and numeracy training, GED preparation and work readiness curriculum done in collaboration with Southeast Community College.
- 3) Project Everlast – building a system to support youth transitioning from foster care by addressing employment, housing, education and health care needs.
- 4) Regional Innovation Network fostering collaboration of education, economic development and workforce development leaders in a twelve county southeast Nebraska area focusing training and job placement efforts to the target industries of:
 - ✓ Agriculture & Life Sciences.
 - ✓ Advanced Manufacturing.
 - ✓ Transportation & Logistics.
 - ✓ Health Services, and Business Services & Information Technology.

West Haymarket Project

The West Haymarket Redevelopment Project is a multi-faceted endeavor to revitalize underutilized property that lies on the western edge of Lincoln's downtown and Haymarket district. On May 11, 2010, the citizens of Lincoln voted to approve the issuance of arena bonds, which signaled approval for the project to proceed. The project involves the relocation and elimination of existing railroad tracks and completion of other site preparation activities, the construction of a 15,223 seat civic arena, a community ice center, private retail and office space, a new Amtrak Station, residential units, surface and decked parking, public gathering areas,

street and utility improvements, landscaping, trails and walkways, pedestrian bridges, and environmental enhancements. The public portion of the project cost is estimated to be approximately \$346 million.

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

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

Antelope Valley Project

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

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

The last remaining JAVA project, which is landscaping of Antelope Valley Parkway between K and P streets as well as landscaping of O Street between 17th and 21st streets, will be completed in 2013.

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

Wastewater System

The Lincoln Wastewater System is projecting a capital improvements program in the amount of approximately \$53,836,000 over the 6-year period of fiscal year 2012-13 through fiscal year 2017-18. Of that total, approximately \$28,160,000 will be financed by revenue bonds, approximately \$3,170,000 will be financed by impact fees, with the remaining \$22,506,000 to come from utility revenue fees. The majority of these dollars are needed for replacement and maintenance of existing infrastructure, new infrastructure to serve development in various basins throughout the City, and improvements to both the Theresa Street and Northeast treatment plants.

Water System

The Lincoln Water System is projecting a capital improvements program in the amount of approximately \$76,600,000 over the 6-year period of fiscal year 2012-13 through 2017-18. Of these dollars, approximately \$8,800,000 will be financed through revenue bonds, approximately \$4,800,000 will be financed from TIF funding, approximately \$5,700,000 will be financed through impact fees, with the balance of \$57,300,000 coming from utility revenue fees. The major projects contributing to these total dollars include the installation of transmission lines, replacement mains, replacement and new wells, and additional storage reservoirs.

Streets and Highways

The 2013-2018 Streets and Highways capital improvements program and Transportation improvement program identify average annual expenditures of \$28 million for the next six years. Funding for these projects includes \$130 million in City revenues, \$33 million in federal aid, and \$3 million in other funds.

Infrastructure Impact Fees

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

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

Pension Costs

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

Property Tax Collections

As of August 31, 2012, current tax collections by the County Treasurer were 97.16% of the tax levy, an increase of .47% from last year. Allocations of property tax levy by purpose are as follows:

<u>City Tax Levy by Purpose</u>	<u>2011-2012</u>	<u>2010-2011</u>	<u>2009-2010</u>
General Fund	.1876	.1739	.1772
Library	.0400	.0398	.0398
Social Security	.0163	.0141	.0097
Police and Fire Pension	.0348	.0261	.0251
General Obligation Debt	<u>.0371</u>	<u>.0340</u>	<u>.0361</u>
Total	<u>.3158</u>	<u>.2879</u>	<u>.2879</u>

Parking Facilities

The City of Lincoln operates the following parking garages:

<u>Facility</u>	<u>Number of Stalls</u>	<u>Date Opened</u>
Center Park	1,048	November, 1978
Cornhusker Square	405	December, 1983
University Square	436	April, 1990
Que Place	773	October, 1994
Carriage Park	710	February, 1995
Market Place	433	August, 2000
Haymarket	409	August, 2002
Larson Building	647	July, 2012

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

Revenue generated by the parking facilities and on-street parking meters, as well as undesignated street construction funds, are pledged for debt service of the 2001 Parking Revenue Bonds, the 2010B Parking Revenue Bonds, and the 2011 Parking Revenue and Refunding Bonds. Comparative data for the past two fiscal years are presented in the following table:

	<u>2011-2012</u>	<u>2010-2011</u>
Operating Revenues	\$ 7,353,847	7,124,602
Operating Income Before Depreciation	3,503,716	3,518,594
Debt Service	1,944,138	1,944,138
Debt Service Coverage Ratio	1.80	1.81

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, 2012, the City estimates that it will incur costs approximating \$22 million to adhere to such requirements (see Note 18 of Notes to the Financial Statements).

Water and Wastewater System

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

<u>Wastewater System</u>	<u>2011-2012</u>	<u>2010-2011</u>
Operating Revenues	\$24,097,998	22,973,653
Operating Income	4,404,875	3,301,436
Revenue Available For Debt Service	12,385,302	11,022,406
Debt Service	6,793,014	6,512,609
Debt Service Coverage Ratio	1.82	1.69

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>2011-2012</u>	<u>2010-2011</u>
Operating Revenues	\$34,150,292	28,559,484
Operating Income	10,984,826	5,459,411
Revenue Available For Debt Service	20,348,397	15,174,479
Debt Service	8,335,202	9,501,857
Debt Service Coverage Ratio	2.44	1.60

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, 2011, is included in the City's August 31, 2012, financial statements.

Certificate of Achievement

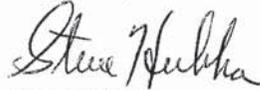
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lincoln, Nebraska, for its comprehensive annual financial report for the fiscal year ended August 31, 2011. This was the twenty-ninth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

Acknowledgments

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

Respectfully submitted,



Steve Hubka
Interim Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lincoln
Nebraska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
August 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moynell

President

Jeffrey R. Emer

Executive Director



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FINANCIAL SECTION

Independent Accountants' Report on Financial Statements and Supplementary Information

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, 2012, which collectively comprise the City of Lincoln's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Lincoln Electric System which represent 58%, 35% and 75%, respectively, of the total assets, net assets and revenues of the business-type activities. Those financial statements were audited by other accountants whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Lincoln Electric System, is based solely on the report of the other accountants. The prior-year summarized comparative financial information in these statements has been derived from the City's basic financial statements as of and for the year ended August 31, 2011, and in our report dated February 17, 2012, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other accountants provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other accountants, 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and street construction fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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 introductory section as listed in the table of contents is presented for purposes of additional analysis and is not 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

February 25, 2013



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, 2012. 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 of the City exceeded its liabilities at August 31, 2012, by \$1,673,248,992 (net assets). Of this amount, \$381,489,582 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$73,357,160. Of this amount, \$41,781,745, or 57 percent, was an increase in governmental activities and \$31,575,415, or 43 percent, related to business-type activities.
- As of August 31, 2012, the City's governmental funds reported combined ending fund balances of \$353,770,357, a decrease of \$72,725,985 in comparison with the prior year, as the West Haymarket JPA Fund continues to spend bond proceeds on redevelopment projects. Of this total fund balance, 7 percent, or \$25,439,612, is available for spending at the City's discretion (unassigned fund balance).
- As of August 31, 2012, unrestricted fund balance (the total of committed, assigned, and unassigned fund balance) for the general fund was \$38,990,723, or 34 percent of total general fund expenditures. Due to the implementation of GASB Statement No. 54, reference must be made to page 76 of this report for an accurate comparison of the City's General funds based on the structure used for budgeting.
- The City's total bonded debt decreased by \$37,505,000 (3 percent) during the current fiscal year. The city issued \$85,370,000 in refunding bonds in the current year for a net present value savings of \$10,789,855.

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 assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the year ended August 31, 2012. All changes in net assets 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; auditorium; 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 an annual 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; auditorium; solid waste management; ambulance services; and wastewater, water, and electric systems. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its data processing, engineering, insurance, fleet management, municipal services center operations, telecommunications, and copy services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$1,673,248,992 at August 31, 2012.

By far the largest portion of the City’s net assets (60 percent) reflects its investment in capital assets (e.g., land, buildings, improvements, utility plant, infrastructure, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City Of Lincoln
Condensed Statements of Net Assets
August 31, 2012 and 2011**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 596,213,973	651,101,529	288,936,045	247,265,929	885,150,018	898,367,458
Capital Assets	821,891,490	713,530,269	1,449,783,695	1,437,335,316	2,271,675,185	2,150,865,585
Total Assets	1,418,105,463	1,364,631,798	1,738,719,740	1,684,601,245	3,156,825,203	3,049,233,043
Long-Term Liabilities Outstanding	500,195,032	504,062,995	750,069,512	766,638,529	1,250,264,544	1,270,701,524
Other Liabilities	37,731,545	22,171,662	195,580,122	156,468,025	233,311,667	178,639,687
Total Liabilities	537,926,577	526,234,657	945,649,634	923,106,554	1,483,576,211	1,449,341,211
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	405,635,743	386,451,715	608,119,231	622,950,944	1,013,754,974	1,009,402,659
Restricted	246,533,919	235,695,091	31,470,517	31,480,358	278,004,436	267,175,449
Unrestricted	228,009,224	216,250,335	153,480,358	107,063,389	381,489,582	323,313,724
Total Net Assets	\$ 880,178,886	838,397,141	793,070,106	761,494,691	1,673,248,992	1,599,891,832

An additional portion of the City’s net assets (17 percent) represents resources that are subject to external restrictions on their use. The remaining balance of unrestricted net assets (23 percent) may be used to meet the government’s ongoing obligations to citizens and creditors.

At August 31, 2012, the City is able to report positive balances in all three categories of net assets, 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, 2012 and 2011

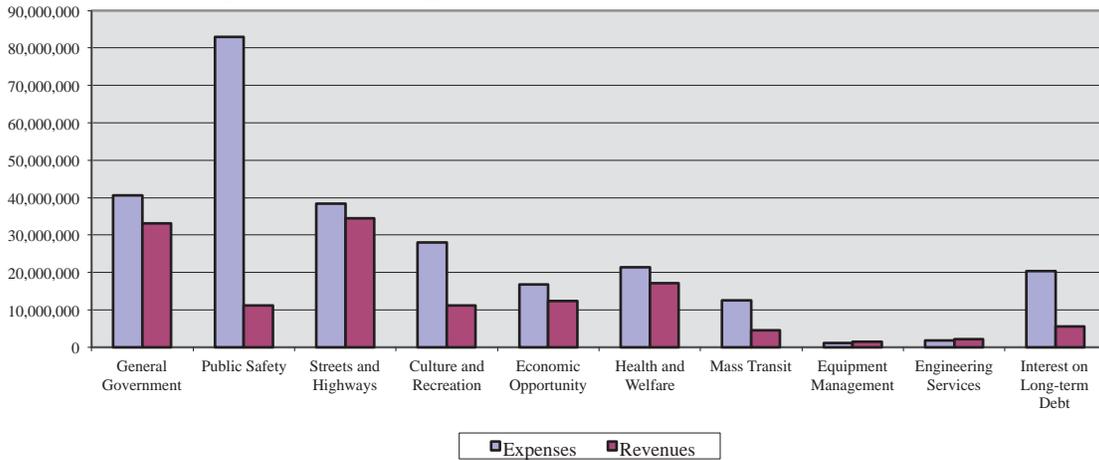
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for Services	\$ 49,728,220	46,426,307	350,507,113	335,205,232	400,235,333	381,631,539
Operating Grants and Contributions	51,263,862	73,594,748	-	-	51,263,862	73,594,748
Capital Grants and Contributions	32,043,686	7,982,667	6,731,837	4,645,062	38,775,523	12,627,729
General Revenues:						
Property Tax	53,302,884	48,621,668	-	-	53,302,884	48,621,668
Sales and Use Tax	62,388,551	57,996,100	-	-	62,388,551	57,996,100
Occupation Tax	25,732,963	20,403,399	2,048,615	2,059,361	27,781,578	22,462,760
Other Taxes	18,455,537	16,378,863	-	-	18,455,537	16,378,863
Unrestricted Grants and Contributions	93,633	1,927,588	-	-	93,633	1,927,588
Unrestricted Investment Earnings	1,014,773	1,370,358	983,824	1,564,708	1,998,597	2,935,066
Other	2,623,024	2,309,497	380,531	343,835	3,003,555	2,653,332
Total Revenues	<u>296,647,133</u>	<u>277,011,195</u>	<u>360,651,920</u>	<u>343,818,198</u>	<u>657,299,053</u>	<u>620,829,393</u>
Expenses:						
General Government	40,635,824	40,059,839	-	-	40,635,824	40,059,839
Public Safety	82,915,183	81,218,142	-	-	82,915,183	81,218,142
Streets and Highways	38,319,958	39,840,551	-	-	38,319,958	39,840,551
Culture and Recreation	28,049,044	26,578,448	-	-	28,049,044	26,578,448
Economic Opportunity	16,840,478	16,336,855	-	-	16,840,478	16,336,855
Health and Welfare	21,414,951	21,153,869	-	-	21,414,951	21,153,869
Mass Transit	12,463,592	12,007,410	-	-	12,463,592	12,007,410
Equipment Management	1,162,325	1,882,136	-	-	1,162,325	1,882,136
Engineering Services	1,900,278	1,219,084	-	-	1,900,278	1,219,084
Interest on Long-Term Debt	20,417,899	11,568,353	-	-	20,417,899	11,568,353
Parking	-	-	5,933,848	5,632,973	5,933,848	5,632,973
Golf Courses	-	-	3,762,650	3,414,074	3,762,650	3,414,074
Entertainment Facilities	-	-	2,487,417	2,202,234	2,487,417	2,202,234
Solid Waste Management	-	-	8,080,971	8,490,392	8,080,971	8,490,392
Ambulance Transport	-	-	4,148,850	3,940,669	4,148,850	3,940,669
Wastewater	-	-	23,017,798	23,135,157	23,017,798	23,135,157
Water	-	-	25,908,587	26,084,158	25,908,587	26,084,158
Electric	-	-	250,676,000	242,743,000	250,676,000	242,743,000
Total Expenses	<u>264,119,532</u>	<u>251,864,687</u>	<u>324,016,121</u>	<u>315,642,657</u>	<u>588,135,653</u>	<u>567,507,344</u>
Increase in Net Assets Before Transfers	32,527,601	25,146,508	36,635,799	28,175,541	69,163,400	53,322,049
Transfers	9,254,144	2,678,029	(5,060,384)	(2,678,029)	4,193,760	-
Increase in Net Assets	41,781,745	27,824,537	31,575,415	25,497,512	73,357,160	53,322,049
Net Assets - Beginning	838,397,141	810,572,604	761,494,691	735,997,179	1,599,891,832	1,546,569,783
Net Assets - Ending	<u>\$ 880,178,886</u>	<u>838,397,141</u>	<u>793,070,106</u>	<u>761,494,691</u>	<u>1,673,248,992</u>	<u>1,599,891,832</u>

GOVERNMENTAL ACTIVITIES

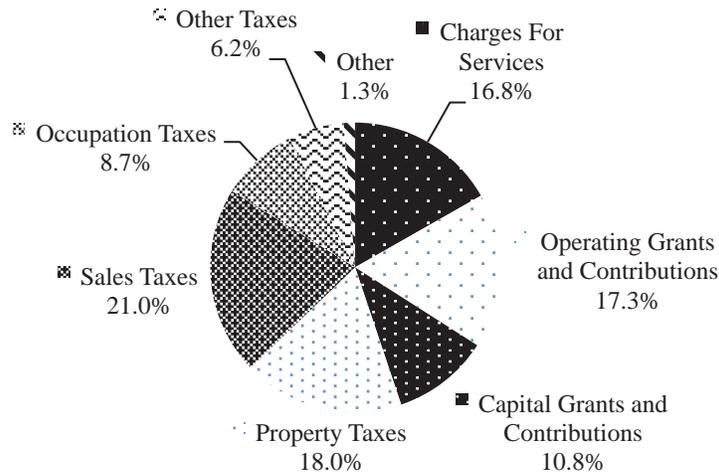
Governmental activities increased the City's net assets by \$41,781,745, accounting for 57 percent of the total growth in the net assets of the City of Lincoln. Key elements of this increase are as follows:

- The City's current year contribution to the Joint Antelope Valley Authority amounted to \$9,729,227, of which a significant portion is federally funded.
- Sales taxes increased by approximately \$4.4 million (7.6 percent) during 2012 after showing an increase of 4.8 percent in the prior year.
- Occupation taxes increased by approximately \$5.3 million (26 percent) in the current year. In January, 2011, the City imposed a 2 percent tax on bar and restaurant revenues and a 4 percent tax on car rental and hotel revenues, to be used to finance the JPA activities and repayment of the Agency's outstanding debt.

Expenses and Program Revenues - Governmental Activities



Revenues By Source - Governmental Activities



BUSINESS-TYPE ACTIVITIES

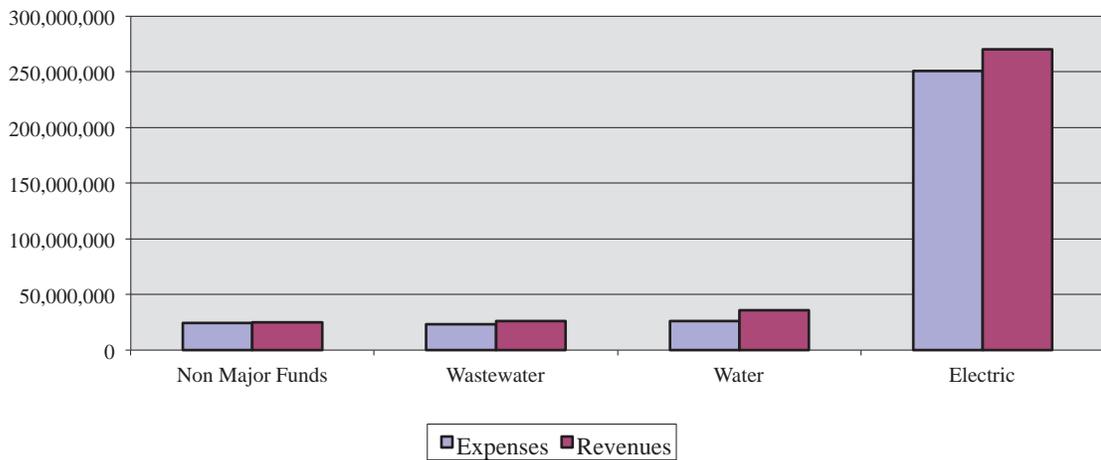
Business-type activities increased the City’s net assets by \$31,575,415, accounting for 43 percent of the total growth in the government’s net assets. Key elements of this increase are as follows:

- Water System operating revenues increased by \$5,590,808 (19.6 percent) from 2011. Water pumpage was up 20 percent due to the severe drought conditions experienced this past year. Operating expense increased marginally by \$65,393 (.28 percent) due to cost cutting efforts made by the system.
- Wastewater System operating revenues increased \$1,124,345 (4.9 percent) primarily due to a 5% user fee increase implemented with the billings starting in February, 2012. Sanitary sewer bills for residential customers are based on water usage during a two-month period during the winter and remain

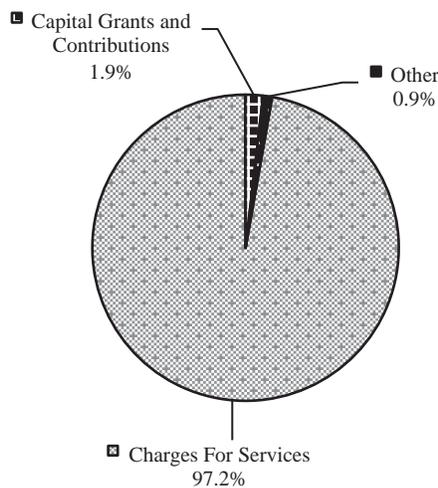
the same over the balance of the following ten-month period. Non-residential customers are billed for sanitary sewer based on their monthly water usage.

- Lincoln Electric System operating revenue in 2011 was 3 percent higher than 2010. Retail revenue was 2 percent higher due to the impact of a 2.5 percent increase on January 1, 2011. Wholesale revenue increased 5 percent with an energy sales increase of 11 percent. The new city dividend for utility ownership, which started September 2011, added \$2.0 million to operating revenue.
- LES recorded capital contributions of approximately \$1.1 million.
- Lincoln Water and Wastewater Systems reported capital contributions of approximately \$1.8 million and \$2.1 million, respectively.

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, 2012, the City's governmental funds reported combined ending fund balances of \$353,770,357, a decrease of \$72,725,985 in comparison with the prior year. Of this total amount, 7 percent constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is not in spendable form (\$5,785,566), legally required to be maintained intact (\$37,160,000), restricted for particular purposes (\$249,625,706), committed for particular purposes (\$805,612), or assigned for particular purposes (\$34,953,861).

The General Fund is the chief operating fund of the City. At August 31, 2012, the unrestricted fund balance of the General Fund was \$38,990,723, while total fund balance reached \$49,101,273. 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 34 percent of total general fund expenditures, while total fund balance represents 43 percent of that same amount.

The fund balance of the City's General Fund increased by \$7,347,437 during 2012. For the 2013 fiscal year, appropriated General Fund balance, used as a funding source for the budget, decreased by 40.6 percent over 2012. It is expected to increase for the 2014 fiscal year. The City has converted to a biennial budget and allocation of balances is spread over a two-year budget cycle.

The Street Construction Fund had a total fund balance of \$31,824,184, which is to be used in the construction and maintenance of streets and highways. The net decrease in fund balance during 2012 in the Street Construction Fund was \$(4,654,384), the result of ongoing projects expenditure of available bond proceeds.

The West Haymarket JPA Fund had a fund balance of \$147,191,453, which is to be used for funding improvements of the West Haymarket Redevelopment Project. The current year change in fund balance of \$(78,241,451) was expected as bond proceeds are spent on the redevelopment projects.

PROPRIETARY FUNDS

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

Unrestricted net assets of the Wastewater System, Water System, Electric System, and other enterprise funds amounted to \$22,234,152, \$25,728,471, \$109,762,000 and \$(4,244,265), respectively, at August 31, 2012 (December 31, 2011 for LES). Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were relatively minor (increase of \$207,042) and can be briefly summarized as follows:

- \$35,000 reduction in intergovernmental revenue.
- Expenditure appropriations:
- \$(558,255) in miscellaneous changes in general government activities.
 - \$497,418 in increases allocated to public safety.
 - \$(33,018) in decreases to streets & highways.
 - \$(46,632) in decreases allocated to parks and recreation.
 - \$312,529 in increases allocated for General Fund transfers to other City funds.

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

- \$2,300,100 positive variance in real estate and personal property tax. Actual property collections were 97.16 percent of the 2011 levy, while estimated tax revenue is based on 90 percent collections as provided by the City Charter.
- \$2,817,168 positive variance in sales tax receipts. Collections exceeded projections that were based on prior years activity.
- \$1,550,260 positive variance in occupation taxes as receipts exceeded conservative projections.
- \$1,900,708 positive variance in miscellaneous general government expenditures. Significant savings were realized in several service line items that are reappropriated to cover ongoing future expenditures.
- \$1,943,785 positive variance in police expenditures. Remaining balances are reappropriated to the next year to assist with one-time expenditures that are not ongoing operating expenditures.
- \$(2,048,947) negative variance in street lighting function expenditures. This variance was the result of capital additions related to both normal construction as well as Antelope Valley Project construction.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of August 31, 2012, amounts to \$2,271,675,185 (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 2012 was 5.62 percent (a 15.19 percent increase for governmental activities and a .87 percent increase for business-type activities).

Major capital asset events during 2012 included the following:

- The City increased its investment in infrastructure, including streets, bridges, drainage and traffic systems, in excess of \$34 million.
- The West Haymarket Joint Public Agency (JPA) increased its investment in capital assets by approximately \$87 million, which includes roads and utility work, arena design and construction, site preparation, land purchases, and environmental remediation.
- The City parking system's investment in the Larson Building and Parking Garage increased by approximately \$8.7 million.

City Of Lincoln
Capital Assets (net of depreciation)
August 31, 2012 and 2011

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 138,768,877	69,850,907	24,232,300	24,144,286	163,001,177	93,995,193
Buildings	53,817,461	49,744,391	140,391,808	122,650,291	194,209,269	172,394,682
Improvements Other Than Buildings	40,360,129	37,876,916	450,950,888	445,301,114	491,311,017	483,178,030
Machinery and Equipment	35,302,361	35,685,017	12,765,467	11,894,995	48,067,828	47,580,012
Utility Plant	-	-	761,574,000	753,770,000	761,574,000	753,770,000
Infrastructure	394,256,079	352,448,061	-	-	394,256,079	352,448,061
Construction-in-progress	159,386,583	167,924,977	59,869,232	79,574,630	219,255,815	247,499,607
Total	\$ 821,891,490	713,530,269	1,449,783,695	1,437,335,316	2,271,675,185	2,150,865,585

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

LONG-TERM DEBT

At August 31, 2012, the City of Lincoln had total bonded debt outstanding of \$1,120,728,000. Of this amount, \$413,958,000 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City Of Lincoln
Outstanding Bonded Debt
August 31, 2012 and 2011
(dollar amounts in thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	\$ 413,958	419,663	-	-	413,958	419,663
Tax Supported Bonds	5,210	5,920	-	-	5,210	5,920
Revenue Bonds	-	-	701,560	732,650	701,560	732,650
Total	\$ 419,168	425,583	701,560	732,650	1,120,728	1,158,233

The City's total bonded debt decreased by \$37,505,000 (3 percent) in the current fiscal year. Refunding bonds were issued in the amount of \$85,370,000 to refund \$91,300,000 of outstanding bonds.

The City maintains the following credit ratings:

	Moody's Investors Service	Standard And Poor's	Fitch Investors Service
General Obligation Bonds	Aaa	AAA	-
West Haymarket JPA Bonds	Aa1	AAA	-
Antelope Valley Project Bonds	Aa2	AA	-
Water Revenue Bonds	Aa2	AA	-
Wastewater Revenue Bonds			
MBIA insured	Aaa	AAA	-
Underlying	Aa2	AA+	-
Parking Revenue Bonds	A1	A	-
Lincoln Electric System			
Revenue Bonds	Aa2	AA	AA
Commercial Paper – tax exempt	-	A1+	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 50-56 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The budget for 2012-2014 is the first biennial budget proposed for the City of Lincoln, and it is expected that the biennial budget process will save several thousand hours of staff time over the two-year period.

- Property tax revenue required to fund the 2012-2014 budget increased \$1,581,766 or 3.5 percent in the first year from the prior year, and \$467,751 or 1 percent for the second year of the biennium. Total change in the tax base is estimated at 4.88 percent, with the tax rate of .31580 expected to remain the same for both years.
- The adequacy of fees charged for City service cost recovery is examined each year and some fee increases are included in each budget. Without periodic increases in fees, amounts collected, or other revenue adjustments, inflationary and other cost increases would need to be covered by additional property tax revenue or the levels of service provided would need to be reduced. Anticipated revenue adjustments in 2013 include an increase in parking meter rates, \$750,000; increased Parks and Recreation program fees, \$328,150; and additional alarm registration fees, "lift assist" charges, and hazardous material abatement fees, \$387,500.
- Utility rates are increased by an average of 5 percent in both budget years; resulting in additional revenue of \$1,400,000 in 2013 and \$2,900,00 in 2014 for Water, and \$1,100,000 in 2013 and \$2,300,000 in 2014 for Wastewater.
- Sales tax collections for 2012 finished 4.80 percent ahead of projections. 2013 projections reflect a 3.82 percent increase over 2012 actual collections, with an additional 4 percent increase projected for 2014.
- Staffing changes included in the 2012-2014 budget result in a decrease for all funds of 6.81 full-time equivalents.

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Lincoln's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Lincoln, Finance Department, 555 South 10th Street, Lincoln, NE 68508.

BASIC FINANCIAL STATEMENTS

CITY OF LINCOLN, NEBRASKA
STATEMENT OF NET ASSETS
AUGUST 31, 2012

With Summarized Financial Information as of August 31, 2011

	Governmental Activities	Business-Type Activities	Totals	
			2012	2011
ASSETS				
Cash and Cash Equivalents	\$ 15,255,221	13,690,243	28,945,464	170,971,351
Investments	308,232,833	126,370,200	434,603,033	297,199,357
Receivables, (Net of Allowance for Uncollectibles)	32,364,575	48,280,298	80,644,873	79,347,506
Internal Balances	(531,347)	531,347	-	-
Due from Other Governments	25,779,133	2,709,883	28,489,016	30,079,460
Inventories	1,932,902	15,696,937	17,629,839	17,812,923
Plant Operation Assets	-	11,549,000	11,549,000	13,070,000
Prepaid Items	656,274	1,779,605	2,435,879	1,832,355
Deferred Charges and Other Assets	6,352,097	9,642,903	15,995,000	18,907,740
Restricted Assets:				
Cash and Cash Equivalents	228,814	11,492,573	11,721,387	16,959,585
Investments	37,160,000	47,149,794	84,309,794	93,125,323
Receivables	-	43,262	43,262	7,614
Investment in Joint Venture	168,783,471	-	168,783,471	159,054,244
Capital Assets:				
Non-depreciable	298,155,460	84,101,532	382,256,992	341,494,800
Depreciable (Net)	523,736,030	1,365,682,163	1,889,418,193	1,809,370,785
Total Assets	1,418,105,463	1,738,719,740	3,156,825,203	3,049,233,043
LIABILITIES				
Accounts Payable and Other Current Liabilities	23,933,272	42,283,042	66,216,314	54,468,504
Accrued Liabilities	6,100,856	13,585,840	19,686,696	17,881,088
Due to Other Governments	408,949	209,767	618,716	764,765
Unearned Revenue	2,722,965	1,367,145	4,090,110	1,431,953
Notes Payable	-	128,500,000	128,500,000	90,000,000
Accrued Interest Payable	4,565,503	9,634,328	14,199,831	14,093,377
Noncurrent Liabilities:				
Payable within One Year	25,117,496	34,640,775	59,758,271	58,906,731
Payable in More Than One Year	475,077,536	715,428,737	1,190,506,273	1,211,794,793
Total Liabilities	537,926,577	945,649,634	1,483,576,211	1,449,341,211
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	405,635,743	608,119,231	1,013,754,974	1,009,402,659
Restricted for:				
Debt Service, Net of Related Debt	10,250,088	28,416,930	38,667,018	37,984,887
Capital Projects	144,100,195	3,031,376	147,131,571	129,248,175
Grantor Loan Programs	19,582,000	-	19,582,000	19,837,000
Other	12,966,904	22,211	12,989,115	22,214,110
Trust Donations:				
Expendable	1,672,102	-	1,672,102	1,653,945
Nonexpendable	160,000	-	160,000	160,000
Health Care:				
Expendable	20,802,630	-	20,802,630	19,077,332
Nonexpendable	37,000,000	-	37,000,000	37,000,000
Unrestricted	228,009,224	153,480,358	381,489,582	323,313,724
Total Net Assets	\$ 880,178,886	793,070,106	1,673,248,992	1,599,891,832

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, 2012
With Summarized Financial Information for the Year Ended August 31, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-Type Activities	Totals	
			Grants and Contributions	Grants and Contributions			2012	2011
Governmental Activities:								
General Government	\$ (40,635,824)	22,686,194	2,470,510	7,928,577	(7,550,543)	-	(7,550,543)	(14,384,375)
Public Safety	(82,915,183)	6,150,370	4,266,129	714,814	(71,783,870)	-	(71,783,870)	(70,522,526)
Streets and Highways	(38,319,958)	3,489,348	12,099,851	18,919,955	(3,810,804)	-	(3,810,804)	(6,955,653)
Culture and Recreation	(28,049,044)	4,473,514	2,269,016	4,416,143	(16,890,371)	-	(16,890,371)	(17,638,543)
Economic Opportunity	(16,840,478)	2,346,582	10,067,225	-	(4,426,671)	-	(4,426,671)	(1,695,809)
Health and Welfare	(21,414,951)	4,773,397	12,335,789	-	(4,305,765)	-	(4,305,765)	(1,902,876)
Mass Transit	(12,463,592)	1,652,783	2,855,065	-	(7,955,744)	-	(7,955,744)	(3,119,327)
Equipment Management	(1,162,325)	1,476,677	-	-	314,352	-	314,352	(251,005)
Engineering Services	(1,900,278)	2,103,018	-	11,740	214,480	-	214,480	(218,861)
Interest on Long-Term Debt	(20,417,899)	576,337	4,900,277	52,457	(14,888,828)	-	(14,888,828)	(7,171,990)
Total Governmental Activities	(264,119,532)	49,728,220	51,263,862	32,043,686	(131,083,764)	-	(131,083,764)	(123,860,965)
Business-Type Activities:								
Parking Lots	(322,612)	453,326	-	-	-	130,714	130,714	49,192
Golf	(3,762,650)	3,314,506	-	-	-	(448,144)	(448,144)	(654,264)
Parking Facilities	(5,611,236)	7,348,783	-	1,722,988	-	3,460,535	3,460,535	2,259,225
Municipal Auditorium	(2,468,566)	1,762,136	-	-	-	(706,430)	(706,430)	(596,035)
Municipal Arena	(18,851)	-	-	-	-	(18,851)	(18,851)	-
Solid Waste Management	(8,080,971)	5,652,758	-	-	-	(2,428,213)	(2,428,213)	(2,935,257)
Emergency Medical Services	(4,148,850)	4,870,608	-	-	-	721,758	721,758	624,418
Wastewater System	(23,017,798)	24,040,603	-	2,143,397	-	3,166,202	3,166,202	877,522
Water System	(25,908,587)	34,021,393	-	1,791,452	-	9,904,258	9,904,258	4,295,836
Electric System	(250,676,000)	269,043,000	-	1,074,000	-	19,441,000	19,441,000	20,287,000
Total Business-Type Activities	(324,016,121)	350,507,113	-	6,731,837	-	33,222,829	33,222,829	24,207,637
Total	\$ (588,135,653)	400,235,333	51,263,862	38,775,523	(131,083,764)	33,222,829	(97,860,935)	(99,653,328)
General Revenues:								
Property Tax					53,302,884	-	53,302,884	48,621,668
Motor Vehicle Tax					4,331,331	-	4,331,331	4,284,369
Wheel Tax					14,055,801	-	14,055,801	12,031,376
Sales and Use Tax					62,388,551	-	62,388,551	57,996,100
Sundry and In Lieu Tax					68,405	-	68,405	63,118
Occupation Tax					25,732,963	2,048,615	27,781,578	22,462,760
Unrestricted Grants and Contributions					93,633	-	93,633	1,927,588
Unrestricted Investment Earnings					1,014,773	983,824	1,998,597	2,935,066
Miscellaneous General Revenues					2,623,024	380,531	3,003,555	2,653,332
Transfers					9,254,144	(5,060,384)	4,193,760	-
Total General Revenues and Transfers					172,865,509	(1,647,414)	171,218,095	152,975,377
Change in Net Assets					41,781,745	31,575,415	73,357,160	53,322,049
Net Assets - Beginning					838,397,141	761,494,691	1,599,891,832	1,546,569,783
Net Assets - Ending					\$ 880,178,886	793,070,106	1,673,248,992	1,599,891,832

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

CITY OF LINCOLN, NEBRASKA
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2012

	General Fund	Street Construction Fund	West Haymarket JPA Fund	Other Governmental Funds	Total
ASSETS					
Cash and Cash Equivalents	\$ 2,426,153	1,442,289	2,282,720	7,587,931	13,739,093
Investments	32,247,854	22,685,071	162,443,808	103,028,660	320,405,393
Receivables, (Net of Allowance for Uncollectibles)	6,551,428	394,466	1,591,546	23,474,580	32,012,020
Due from Other Funds	1,626,898	6,214,964	1,044,032	2,853,692	11,739,586
Due from Other Governments	11,233,624	9,433,341	893,503	3,939,503	25,499,971
Inventories	379,402	264,323	-	485,996	1,129,721
Prepaid Items	4,454,094	172,937	28,814	-	4,655,845
Total Assets	<u>58,919,453</u>	<u>40,607,391</u>	<u>168,284,423</u>	<u>141,370,362</u>	<u>409,181,629</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	779,047	2,288,012	17,695,072	1,699,402	22,461,533
Contracts Payable	-	-	-	749,016	749,016
Accrued Liabilities	3,100,074	192,632	165,000	2,052,611	5,510,317
Due to Other Funds	4,462,887	240,195	12,987	8,343,637	13,059,706
Due to Other Governments	103,749	2,440	-	192,102	298,291
Unearned Revenue	-	-	2,326,408	228,113	2,554,521
Deferred Revenue	1,372,423	6,059,928	893,503	2,452,034	10,777,888
Total Liabilities	<u>9,818,180</u>	<u>8,783,207</u>	<u>21,092,970</u>	<u>15,716,915</u>	<u>55,411,272</u>
Fund Balances:					
Nonspendable	4,833,496	437,260	28,814	37,645,996	42,945,566
Restricted	5,277,054	18,172,109	147,162,639	79,013,904	249,625,706
Committed	-	-	-	805,612	805,612
Assigned	13,359,297	13,214,815	-	8,379,749	34,953,861
Unassigned	25,631,426	-	-	(191,814)	25,439,612
Total Fund Balances	<u>49,101,273</u>	<u>31,824,184</u>	<u>147,191,453</u>	<u>125,653,447</u>	<u>353,770,357</u>
Total Liabilities and Fund Balances	<u>\$ 58,919,453</u>	<u>40,607,391</u>	<u>168,284,423</u>	<u>141,370,362</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	799,404,404
Investment in joint venture is not a financial resource and, therefore, is not reported in the funds.	168,783,471
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	10,777,888
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 assets.	25,286,923
Accrued pension contribution, long-term construction contracts and other liabilities require the use of unavailable financial resources and, therefore, are not reported in the funds.	(4,688,580)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(473,155,577)
Net assets of governmental activities	<u>\$ 880,178,886</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, 2012

	General Fund	Street Construction Fund	West Haymarket JPA Fund	Other Governmental Funds	Total
REVENUES					
Taxes:					
Property	\$ 30,845,470	-	-	22,697,060	53,542,530
Motor Vehicle	4,331,331	-	-	-	4,331,331
Wheel	-	92,475	-	13,963,326	14,055,801
Sales and Use	62,388,551	-	-	-	62,388,551
Sundry and In Lieu	52,614	-	-	16,231	68,845
Occupation	12,819,569	-	12,913,394	-	25,732,963
Special Assessment	1,580	2,911	-	1,209,477	1,213,968
Intergovernmental	3,122,981	31,428,745	3,900,278	29,815,656	68,267,660
Permits and Fees	5,420,495	3,022,847	-	11,795,689	20,239,031
Reimbursement for Services	6,689,414	56,836	14,225	1,090,257	7,850,732
Court Settlements	1,931,804	-	-	-	1,931,804
Program Income	-	-	-	122,767	122,767
Investment Earnings	154,395	(1,056)	573,396	4,018,152	4,744,887
Donations	939,159	-	6,000,000	2,571,113	9,510,272
Keno Proceeds	-	-	-	3,639,819	3,639,819
Miscellaneous	557,036	1,448,181	-	2,999,306	5,004,523
Total Revenues	<u>129,254,399</u>	<u>36,050,939</u>	<u>23,401,293</u>	<u>93,938,853</u>	<u>282,645,484</u>
EXPENDITURES					
Current:					
General Government	27,786,449	-	623,302	10,638,569	39,048,320
Public Safety	60,701,737	-	-	9,742,625	70,444,362
Streets and Highways	8,090,630	10,379,964	-	473	18,471,067
Culture and Recreation	12,071,114	-	-	10,447,418	22,518,532
Economic Opportunity	5,076,683	-	-	9,596,988	14,673,671
Health and Welfare	279,193	-	-	21,791,426	22,070,619
Mass Transit	-	-	-	10,288,935	10,288,935
Debt Service	52,667	-	14,239,736	17,397,428	31,689,831
Capital Outlay	-	39,768,666	87,087,134	15,404,915	142,260,715
Total Expenditures	<u>114,058,473</u>	<u>50,148,630</u>	<u>101,950,172</u>	<u>105,308,777</u>	<u>371,466,052</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>15,195,926</u>	<u>(14,097,691)</u>	<u>(78,548,879)</u>	<u>(11,369,924)</u>	<u>(88,820,568)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	9,545,361	15,552,592	307,428	27,954,379	53,359,760
Transfers Out	(20,525,981)	(6,113,306)	-	(17,518,037)	(44,157,324)
Issuance of Debt	3,080,000	-	-	3,000,000	6,080,000
Issuance of Refunding Debt	-	-	-	36,185,000	36,185,000
Premium on Debt Issued	42,246	-	-	4,139,803	4,182,049
Transfer To Bond Refunding Agent	-	-	-	(39,840,997)	(39,840,997)
Sale of Capital Assets	9,885	4,021	-	272,189	286,095
Total Other Financing Sources (Uses)	<u>(7,848,489)</u>	<u>9,443,307</u>	<u>307,428</u>	<u>14,192,337</u>	<u>16,094,583</u>
Net Change in Fund Balances	<u>7,347,437</u>	<u>(4,654,384)</u>	<u>(78,241,451)</u>	<u>2,822,413</u>	<u>(72,725,985)</u>
Fund Balances - Beginning	<u>41,753,836</u>	<u>36,478,568</u>	<u>225,432,904</u>	<u>122,831,034</u>	<u>426,496,342</u>
Fund Balances - Ending	<u>\$ 49,101,273</u>	<u>31,824,184</u>	<u>147,191,453</u>	<u>125,653,447</u>	<u>353,770,357</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, 2012

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

Net change in fund balances - total governmental funds	\$ (72,725,985)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	104,674,946
The net effect of various miscellaneous transactions involving capital contributions is to increase net assets.	3,712,226
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.	(5,155,892)
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 assets. Also, governmental funds report the effect of issuance costs, 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.	5,996,535
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.	(1,589,757)
Changes in the net pension obligation and the net OPEB obligation do not represent financial activity in governmental funds.	(1,365,802)
Changes in the interest in the underlying net assets of the joint venture do not represent financial activity in governmental funds.	9,729,227
Internal service funds are used by management to charge the costs of certain services to individual funds. The net expense of the internal service funds is reported within governmental activities.	<u>(1,493,753)</u>
Change in net assets of governmental activities	<u>\$ 41,781,745</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Real Estate and Personal Property Tax	\$ 32,446,710	32,446,710	34,746,810	2,300,100
Taxes Collected by Others	58,655,174	58,655,174	61,472,342	2,817,168
Sundry Taxes and In Lieu	48,949	48,949	53,006	4,057
Occupation Taxes	11,327,520	11,327,520	12,877,780	1,550,260
Intergovernmental	1,820,820	1,785,820	1,611,918	(173,902)
Permits and Fees	3,138,633	3,138,633	3,289,220	150,587
Reimbursement for Services	2,784,337	2,784,337	3,198,457	414,120
Court Fees	660,000	660,000	816,080	156,080
Court Settlements	1,400,000	1,400,000	1,400,050	50
Recreation Receipts	2,266,276	2,266,276	2,335,226	68,950
Investment Earnings	141,314	141,314	159,741	18,427
Donations	933,210	933,210	933,210	-
Rental Income	549,166	549,166	504,907	(44,259)
Miscellaneous	384,863	384,863	605,702	220,839
Total Revenues	<u>116,556,972</u>	<u>116,521,972</u>	<u>124,004,449</u>	<u>7,482,477</u>
Expenditures:				
General Government:				
Legislative	282,571	282,571	239,982	42,589
Executive	1,265,091	1,263,101	1,211,332	51,769
Financial Administration	2,625,699	2,636,068	2,416,727	219,341
Law	2,562,388	2,577,250	2,518,965	58,285
Personnel Administration	975,193	1,030,618	1,030,588	30
Planning and Zoning	1,707,273	1,709,480	1,633,970	75,510
Urban Development	1,052,198	1,055,201	869,619	185,582
Miscellaneous	20,475,922	19,833,791	17,933,083	1,900,708
Total General Government	<u>30,946,335</u>	<u>30,388,080</u>	<u>27,854,266</u>	<u>2,533,814</u>
Public Safety:				
Police	33,727,986	33,923,642	31,979,857	1,943,785
Fire	23,169,360	23,471,122	23,423,139	47,983
Building and Safety	10,806	10,806	10,806	-
Traffic Engineering	1,483,660	1,483,660	1,285,507	198,153
Total Public Safety	<u>58,391,812</u>	<u>58,889,230</u>	<u>56,699,309</u>	<u>2,189,921</u>
Streets and Highways:				
Street Maintenance	2,722,473	2,689,455	2,146,295	543,160
Street Lighting	3,937,143	3,937,143	5,986,090	(2,048,947)
Total Streets and Highways	<u>6,659,616</u>	<u>6,626,598</u>	<u>8,132,385</u>	<u>(1,505,787)</u>
Culture and Recreation:				
Parks and Recreation	11,883,995	11,837,363	11,557,323	280,040
Libraries	321,269	321,269	321,269	-
Total Culture and Recreation	<u>12,205,264</u>	<u>12,158,632</u>	<u>11,878,592</u>	<u>280,040</u>
Economic Opportunity:				
Lincoln Area Agency on Aging	229,064	229,064	229,064	-
Health and Welfare:				
Lincoln/Lancaster County Health	276,944	276,944	276,944	-
Debt Service:				
Issuance and Management Costs	-	-	52,667	(52,667)
Total Expenditures	<u>108,709,035</u>	<u>108,568,548</u>	<u>105,123,227</u>	<u>3,445,321</u>
Excess of Revenues Over Expenditures	<u>7,847,937</u>	<u>7,953,424</u>	<u>18,881,222</u>	<u>10,927,798</u>
Other Financing Sources (Uses):				
Transfers In	9,543,932	9,543,932	9,603,148	59,216
Transfers Out	(25,242,193)	(25,554,722)	(24,419,713)	1,135,009
Proceeds from Issuance of Debt	2,080,000	2,080,000	2,080,000	-
Premium on Debt Issued	-	-	20,606	20,606
Sale of Capital Assets	21,000	21,000	9,884	(11,116)
Total Other Financing Sources (Uses)	<u>(13,597,261)</u>	<u>(13,909,790)</u>	<u>(12,706,075)</u>	<u>1,203,715</u>
Net Change in Fund Balances	(5,749,324)	(5,956,366)	6,175,147	12,131,513
Fund Balances - Beginning	<u>22,954,832</u>	<u>22,954,832</u>	<u>22,954,832</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 17,205,508</u>	<u>16,998,466</u>	<u>29,129,979</u>	<u>12,131,513</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Wheel Tax	\$ -	-	199,794	199,794
Special Assessment	-	-	2,093	2,093
Intergovernmental	8,936,537	8,936,537	19,456,863	10,520,326
Permits and Fees	-	-	330,583	330,583
Reimbursement for Services	400,000	400,000	9,911	(390,089)
Investment Earnings	50,000	50,000	82,037	32,037
Miscellaneous	-	-	3,944	3,944
Total Revenues	<u>9,386,537</u>	<u>9,386,537</u>	<u>20,085,225</u>	<u>10,698,688</u>
Expenditures -- Streets and Highways:				
Personal Services	5,920,183	5,920,183	5,799,519	120,664
Materials and Supplies	1,025,791	1,025,791	645,845	379,946
Other Services and Charges	4,195,530	4,195,530	3,316,068	879,462
Capital Outlay	265,998	265,998	182,845	83,153
Total Expenditures	<u>11,407,502</u>	<u>11,407,502</u>	<u>9,944,277</u>	<u>1,463,225</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,020,965)</u>	<u>(2,020,965)</u>	<u>10,140,948</u>	<u>12,161,913</u>
Other Financing Sources (Uses):				
Transfers In	15,552,592	15,552,592	15,552,592	-
Transfers Out	(6,113,306)	(6,113,306)	(6,113,306)	-
Sale of Capital Assets	-	-	4,021	4,021
Total Other Financing Sources (Uses)	<u>9,439,286</u>	<u>9,439,286</u>	<u>9,443,307</u>	<u>4,021</u>
Net Change in Fund Balances	7,418,321	7,418,321	19,584,255	12,165,934
Amount Budgeted on Project Basis	(24,290,239)	(24,290,239)	(24,290,239)	-
Fund Balances - Beginning	<u>33,077,663</u>	<u>33,077,663</u>	<u>33,077,663</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 16,205,745</u>	<u>16,205,745</u>	<u>28,371,679</u>	<u>12,165,934</u>

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

CITY OF LINCOLN, NEBRASKA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AUGUST 31, 2012

	Business-Type Activities -- Enterprise Funds				Total	Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds		
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$ 1,097,428	968,646	9,953,000	1,671,169	13,690,243	1,516,128
Investments	8,389,869	7,237,173	85,704,000	5,186,111	106,517,153	12,918,786
Receivables, (Net of Allowance for Uncollectibles)	1,996,412	4,159,867	22,033,000	2,567,632	30,756,911	352,555
Accrued Interest Receivable	-	-	234,000	-	234,000	-
Unbilled Revenues	2,459,540	5,038,847	9,791,000	-	17,289,387	-
Due from Other Funds	712,049	372,746	-	227,717	1,312,512	1,585,066
Due from Other Governments	1,085,874	1,500,956	-	123,053	2,709,883	279,162
Inventories	74,306	942,651	14,468,000	211,980	15,696,937	803,181
Plant Operation Assets	-	-	11,549,000	-	11,549,000	-
Prepaid Expenses	-	-	1,776,000	3,605	1,779,605	222,865
Total Current Assets	<u>15,815,478</u>	<u>20,220,886</u>	<u>155,508,000</u>	<u>9,991,267</u>	<u>201,535,631</u>	<u>17,677,743</u>
Noncurrent Assets:						
Investments	7,208,921	7,141,068	-	5,503,058	19,853,047	12,068,654
Restricted Assets:						
Cash and Cash Equivalents	-	-	7,502,000	3,990,573	11,492,573	228,814
Investments	7,457,932	7,262,975	29,887,000	2,541,887	47,149,794	-
Receivables	-	-	-	43,262	43,262	-
Due from Other Funds	-	-	-	148,413	148,413	-
Total Restricted Assets	<u>7,457,932</u>	<u>7,262,975</u>	<u>37,389,000</u>	<u>6,724,135</u>	<u>58,834,042</u>	<u>228,814</u>
Deferred Charges	707,001	539,125	7,989,000	407,777	9,642,903	135,576
Capital Assets:						
Land	5,996,823	5,449,698	-	12,785,779	24,232,300	1,306,950
Buildings	79,839,389	67,727,299	-	68,153,381	215,720,069	6,774,812
Improvements Other Than Buildings	265,147,852	327,271,789	-	41,148,424	633,568,065	465,692
Machinery and Equipment	8,793,982	8,616,076	-	13,593,699	31,003,757	29,574,209
Utility Plant	-	-	1,267,997,000	-	1,267,997,000	-
Construction in Progress	1,767,162	4,400,696	52,684,000	1,017,374	59,869,232	1,366,431
Less Accumulated Depreciation	(104,679,735)	(116,671,087)	(506,423,000)	(54,832,906)	(782,606,728)	(21,223,444)
Total Capital Assets, Net	<u>256,865,473</u>	<u>296,794,471</u>	<u>814,258,000</u>	<u>81,865,751</u>	<u>1,449,783,695</u>	<u>18,264,650</u>
Total Noncurrent Assets	<u>272,239,327</u>	<u>311,737,639</u>	<u>859,636,000</u>	<u>94,500,721</u>	<u>1,538,113,687</u>	<u>30,697,694</u>
Total Assets	<u>288,054,805</u>	<u>331,958,525</u>	<u>1,015,144,000</u>	<u>104,491,988</u>	<u>1,739,649,318</u>	<u>48,375,437</u>
LIABILITIES						
Current Liabilities:						
Accounts Payable	211,842	816,353	14,102,000	1,634,847	16,765,042	722,723
Construction Contracts	3,333,269	1,758,562	-	-	5,091,831	-
Accrued Liabilities	530,841	1,055,782	11,651,000	348,217	13,585,840	492,898
Accrued Compensated Absences	354,384	428,112	-	297,116	1,079,612	789,522
Due to Other Funds	-	-	-	929,578	929,578	796,293
Due to Other Governments	-	-	-	209,767	209,767	12,368
Unearned Revenue	-	-	-	1,367,145	1,367,145	168,444
Claims	-	-	559,000	-	559,000	5,170,834
Accrued Interest	666,249	109,999	8,783,000	75,080	9,634,328	86,600
Commercial Paper Notes Payable	-	-	128,500,000	-	128,500,000	-
Current Portion of Capital Lease	-	-	-	342,426	342,426	708,625
Current Portion of Long-Term Debt	3,487,906	3,360,000	19,610,000	1,110,000	27,567,906	-
Other	-	-	25,518,000	-	25,518,000	-
Total Current Liabilities	<u>8,584,491</u>	<u>7,528,808</u>	<u>208,723,000</u>	<u>6,314,176</u>	<u>231,150,475</u>	<u>8,948,307</u>
Noncurrent Liabilities:						
Accrued Compensated Absences	211,522	371,425	-	76,159	659,106	717,518
Construction Contracts	117,454	190,638	-	-	308,092	-
Claims	-	-	382,000	-	382,000	5,132,204
Long-Term Debt, Net	84,123,313	58,887,377	528,282,000	24,570,506	695,863,196	-
Capital Lease Payable	-	-	-	1,943,584	1,943,584	7,990,897
Accrued Liabilities	162,000	235,233	-	439,526	836,759	299,588
Accrued Landfill Closure/Postclosure Care Costs	-	-	-	15,436,000	15,436,000	-
Total Noncurrent Liabilities	<u>84,614,289</u>	<u>59,684,673</u>	<u>528,664,000</u>	<u>42,465,775</u>	<u>715,428,737</u>	<u>14,140,207</u>
Total Liabilities	<u>93,198,780</u>	<u>67,213,481</u>	<u>737,387,000</u>	<u>48,779,951</u>	<u>946,579,212</u>	<u>23,088,514</u>
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	171,553,512	238,567,894	140,572,000	57,425,825	608,119,231	9,793,942
Restricted for:						
Debt Service	703,650	149,097	27,423,000	141,183	28,416,930	-
Capital Projects	364,711	299,582	-	2,367,083	3,031,376	-
Other	-	-	-	22,211	22,211	-
Unrestricted	22,234,152	25,728,471	109,762,000	(4,244,265)	153,480,358	15,492,981
Total Net Assets	<u>\$ 194,856,025</u>	<u>264,745,044</u>	<u>277,757,000</u>	<u>55,712,037</u>	<u>793,070,106</u>	<u>25,286,923</u>

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

CITY OF LINCOLN, NEBRASKA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2012

	Business-Type Activities -- Enterprise Funds				Total	Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds		
Operating Revenues						
Charges for Services	\$ 24,097,998	34,150,292	269,043,000	4,870,608	332,161,898	54,547,088
Fees	-	-	-	8,385,364	8,385,364	-
Parking Revenue	-	-	-	7,800,953	7,800,953	-
Performance Revenue	-	-	-	1,704,701	1,704,701	-
Other Operating Revenue	-	-	-	693,268	693,268	-
Total Operating Revenues	<u>24,097,998</u>	<u>34,150,292</u>	<u>269,043,000</u>	<u>23,454,894</u>	<u>350,746,184</u>	<u>54,547,088</u>
Operating Expenses						
Personal Services	-	-	-	8,321,222	8,321,222	14,028,196
Contractual Services	-	-	-	4,940,966	4,940,966	-
Operation and Maintenance	10,828,643	13,624,591	19,218,000	6,505,023	50,176,257	39,835,839
Purchased Power	-	-	119,594,000	-	119,594,000	-
Depreciation	7,314,450	7,528,972	41,002,000	3,951,727	59,797,149	2,582,592
Administrative Costs	1,550,030	2,011,903	33,481,000	-	37,042,933	-
Total Operating Expenses	<u>19,693,123</u>	<u>23,165,466</u>	<u>213,295,000</u>	<u>23,718,938</u>	<u>279,872,527</u>	<u>56,446,627</u>
Operating Income (Loss)	<u>4,404,875</u>	<u>10,984,826</u>	<u>55,748,000</u>	<u>(264,044)</u>	<u>70,873,657</u>	<u>(1,899,539)</u>
Nonoperating Revenues (Expenses)						
Investment Earnings	204,843	530,761	213,000	35,220	983,824	104,245
Gain on Disposal of Capital Assets	-	-	-	24,613	24,613	91,279
Insurance Recovery	135,873	-	-	5,587	141,460	-
Occupation Tax	-	-	-	2,048,615	2,048,615	-
Payments in Lieu of Taxes	-	-	(9,384,000)	-	(9,384,000)	-
Amortization of Deferred Charges	(39,608)	(76,955)	(871,000)	(18,687)	(1,006,250)	-
Interest Expense and Fiscal Charges	(3,285,067)	(2,666,166)	(27,126,000)	(700,724)	(33,777,957)	(228,762)
Total Nonoperating Revenues (Expenses)	<u>(2,983,959)</u>	<u>(2,212,360)</u>	<u>(37,168,000)</u>	<u>1,394,624</u>	<u>(40,969,695)</u>	<u>(33,238)</u>
Income (Loss) Before Contributions and Transfers	1,420,916	8,772,466	18,580,000	1,130,580	29,903,962	(1,932,777)
Capital Contributions	2,143,397	1,791,452	1,074,000	1,722,988	6,731,837	387,316
Transfers In	3,660	20,605	-	740,596	764,861	103,240
Transfers Out	-	-	(4,012,000)	(1,813,245)	(5,825,245)	(51,532)
Change in Net Assets	<u>3,567,973</u>	<u>10,584,523</u>	<u>15,642,000</u>	<u>1,780,919</u>	<u>31,575,415</u>	<u>(1,493,753)</u>
Net Assets - Beginning	<u>191,288,052</u>	<u>254,160,521</u>	<u>262,115,000</u>	<u>53,931,118</u>	<u>761,494,691</u>	<u>26,780,676</u>
Net Assets - Ending	<u>\$ 194,856,025</u>	<u>264,745,044</u>	<u>277,757,000</u>	<u>55,712,037</u>	<u>793,070,106</u>	<u>25,286,923</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, 2012

	Business-Type Activities -- Enterprise Funds				Total	Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds		
Cash Flows from Operating Activities						
Receipts from Customers and Users	\$ 24,619,241	30,619,833	282,476,000	22,743,311	360,458,385	13,142,517
Receipts from Interfund Services Provided	274,484	921,658	5,501,000	184,726	6,881,868	41,103,030
Payments to Suppliers for Goods and Services	(3,433,598)	(3,761,088)	(160,919,000)	(8,210,940)	(176,324,626)	(37,558,194)
Payments to Employees	(6,944,605)	(8,147,810)	(25,275,000)	(8,081,573)	(48,448,988)	(13,914,816)
Payments for Interfund Services Provided	(2,029,820)	(3,093,736)	(1,710,000)	(2,251,401)	(9,084,957)	(3,096,972)
Other Receipts	-	-	223,000	693,268	916,268	-
Net Cash Provided (Used) by Operating Activities	<u>12,485,702</u>	<u>16,538,857</u>	<u>100,296,000</u>	<u>5,077,391</u>	<u>134,397,950</u>	<u>(324,435)</u>
Cash Flows from Noncapital Financing Activities						
Occupation Tax	-	-	-	2,124,861	2,124,861	-
Payments in Lieu of Taxes	-	-	(9,388,000)	-	(9,388,000)	-
Transfers from Other Funds	-	-	-	714,089	714,089	103,240
Transfers to Other Funds	-	-	(1,730,000)	(1,813,245)	(3,543,245)	(51,532)
Advances from General Fund	-	-	-	1,745,878	1,745,878	1,423,220
Repayment of Advances from General Fund	-	-	-	(1,880,656)	(1,880,656)	(1,618,266)
Advances to Other Funds	-	(25,289)	-	(7,094)	(32,383)	(709)
Repayments from Other Funds	180,077	-	-	510,177	690,254	516,476
Net Cash Provided (Used) by Noncapital Financing Activities	<u>180,077</u>	<u>(25,289)</u>	<u>(11,118,000)</u>	<u>1,394,010</u>	<u>(9,569,202)</u>	<u>372,429</u>
Cash Flows from Capital and Related Financing Activities						
Additions to Capital Assets	(10,283,899)	(6,226,515)	(41,761,000)	(13,336,746)	(71,608,160)	(4,517,921)
Capital Contributions	461,134	1,303,838	1,074,000	1,722,988	4,561,960	-
Federal Grant Proceeds	680,526	-	-	-	680,526	-
Proceeds from Sale of Capital Assets	-	-	-	49,319	49,319	228,909
Insurance Recovery	135,873	-	-	5,587	141,460	-
Proceeds from Long-Term Debt	6,203,748	1,127,435	38,500,000	1,534,948	47,366,131	575,412
Cost of Debt Issuance	(560,300)	(74,312)	(243,000)	(30,415)	(908,027)	-
Net Cost of Retiring Plant	-	-	(1,057,000)	-	(1,057,000)	-
Principal Payments of Capital Lease	-	-	-	(258,306)	(258,306)	(239,512)
Principal Payments of Long-Term Debt	(3,137,858)	(5,380,000)	(18,680,000)	(1,080,000)	(28,277,858)	-
Interest and Fiscal Charges Paid	(3,492,563)	(2,898,314)	(27,583,000)	(1,240,695)	(35,214,572)	(214,097)
Net Cash Used by Capital and Related Financing Activities	<u>(9,993,339)</u>	<u>(12,147,868)</u>	<u>(49,750,000)</u>	<u>(12,633,320)</u>	<u>(84,524,527)</u>	<u>(4,167,209)</u>
Cash Flows from Investing Activities						
Proceeds from Sale and Maturities of Investments	28,776,654	20,631,982	114,106,000	27,369,645	190,884,281	40,188,913
Purchases of Investments	(33,070,291)	(25,752,723)	(167,134,000)	(22,261,619)	(248,218,633)	(40,164,442)
Interest and Other Receipts	317,414	452,942	422,000	125,816	1,318,172	248,574
Net Cash Provided (Used) by Investing Activities	<u>(3,976,223)</u>	<u>(4,667,799)</u>	<u>(52,606,000)</u>	<u>5,233,842</u>	<u>(56,016,180)</u>	<u>273,045</u>
Net Decrease in Cash and Cash Equivalents	(1,303,783)	(302,099)	(13,178,000)	(928,077)	(15,711,959)	(3,846,170)
Cash and Cash Equivalents - Beginning	2,401,211	1,270,745	30,633,000	6,589,819	40,894,775	5,591,112
Cash and Cash Equivalents - Ending	<u>\$ 1,097,428</u>	<u>968,646</u>	<u>17,455,000</u>	<u>5,661,742</u>	<u>25,182,816</u>	<u>1,744,942</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Operating Income (Loss)	\$ 4,404,875	10,984,826	55,748,000	(264,044)	70,873,657	(1,899,539)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Depreciation	7,314,450	7,528,972	41,002,000	3,951,727	59,797,149	2,582,592
Changes in Assets and Liabilities:						
Accounts Receivable and Unbilled Revenues	795,801	(2,638,307)	(897,000)	(81,635)	(2,821,141)	(104,974)
Due from Other Funds	-	-	-	(65,077)	(65,077)	(165,693)
Due from Other Governments	-	-	-	(118,748)	(118,748)	(20,399)
Inventories	(8,802)	(10,018)	(83,000)	(3,602)	(105,422)	7,205
Plant Operation Assets	-	-	1,521,000	-	1,521,000	-
Prepaid Expenses	-	-	(704,000)	56,380	(647,620)	162,542
Other Assets	-	-	2,753,000	-	2,753,000	-
Accounts Payable	(108,059)	366,504	302,000	31,073	591,518	(540,022)
Accrued Liabilities	80,635	330,999	-	208,993	620,627	133,128
Accrued Compensated Absences	6,802	(24,119)	-	(29,011)	(46,328)	(19,748)
Due to Other Funds	-	-	-	99,638	99,638	25,066
Due to Other Governments	-	-	-	55,826	55,826	11,798
Unearned Revenue	-	-	-	431,871	431,871	(10,473)
Claims	-	-	497,000	-	497,000	(485,918)
Deferred Credits and Other Liabilities	-	-	157,000	-	157,000	-
Accrued Landfill Closure/Postclosure Care Costs	-	-	-	804,000	804,000	-
Total Adjustments	8,080,827	5,554,031	44,548,000	5,341,435	63,524,293	1,575,104
Net Cash Provided by Operating Activities	<u>\$ 12,485,702</u>	<u>16,538,857</u>	<u>100,296,000</u>	<u>5,077,391</u>	<u>134,397,950</u>	<u>(324,435)</u>
Supplemental Disclosure of Noncash Investing, Capital, and Financing Activities:						
Contribution of Capital Assets	\$ 883,120	487,614	-	-	1,370,734	387,316
Capital Asset Trade-Ins	-	-	-	87,582	87,582	-
Purchase of Capital Assets on Account	3,450,723	1,949,200	-	619,376	6,019,299	324,819
Change in Fair Value of Investments	77,644	(112,212)	50,000	(69,545)	(54,113)	(113,463)
Recognition of Sales Tax Settlement Payment	-	-	22,000	-	22,000	-
Allowance for Funds in Construction and Amortization	-	-	104,000	-	104,000	-

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

CITY OF LINCOLN, NEBRASKA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2012

	<u>Police & Fire Pension Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,465,894	4,011,529
Investments:		
Pooled Investment Funds	4,198,097	-
Collateralized Investment Agreement	-	1,910,000
Corporate Bonds	805,800	-
Mutual Funds	147,725,024	-
Private Equity	561,029	-
Real Estate Limited Partnerships	13,095,044	-
Total Investments	<u>166,384,994</u>	<u>1,910,000</u>
Receivables:		
Contributions	570,438	-
Accrued Interest	527,397	38,128
Other	-	44,274
Due from Other Governments	432	2,664
Contractor Retainage	-	<u>770,662</u>
 Total Assets	 <u>168,949,155</u>	 <u><u>6,777,257</u></u>
LIABILITIES		
Warrants Payable	-	1,110,868
Accounts Payable	16,000	248,292
Accrued Liabilities	7,456	-
Accrued Compensated Absences	14,729	-
Due to Other Governments	-	3,765,444
Due to Homeowners	-	17,641
Due to Contractors	-	1,249,837
Due to Joint Venture	-	206,548
Due to Plan Members	-	60,701
Due to Bondholders	-	<u>117,926</u>
 Total Liabilities	 <u>38,185</u>	 <u><u>6,777,257</u></u>
NET ASSETS		
Held in Trust for Pension Benefits and Other Purposes	 \$ <u><u>168,910,970</u></u>	

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

CITY OF LINCOLN, NEBRASKA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED AUGUST 31, 2012

	<u>Police & Fire Pension Trust Fund</u>
Additions:	
Contributions:	
Employer	\$ 5,837,676
Employee	2,418,690
Total Contributions	<u>8,256,366</u>
Investment Earnings:	
Interest	219,271
Dividends	2,872,884
Net Increase in Fair Value of Investments	5,686,090
Net Investment Earnings	<u>8,778,245</u>
Total Additions	<u>17,034,611</u>
Deductions:	
Benefit Payments	10,923,121
Refunds of Contributions	645,182
Administrative Costs	369,764
Total Deductions	<u>11,938,067</u>
Change in Net Assets	5,096,544
Net Assets Held in Trust for Pension Benefits and Other Purposes - Beginning	<u>163,814,426</u>
Net Assets Held in Trust for Pension Benefits and Other Purposes - Ending	<u>\$ 168,910,970</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, 2012

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

REPORTING ENTITY

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

Blended component units, although legally separate entities, are, in substance, part of the government's operations. The participants in the WHJPA are the City and University of Nebraska (UNL), and the agency is governed by a board consisting of the Mayor, a member of the UNL Board of Regents, and a member of the City Council. The purpose of the agency is to make the most efficient use of the taxing authority and other powers of the participants to facilitate the redevelopment of the West Haymarket Redevelopment Area. The WHJPA is reported as a major governmental fund in the City's financial statements. Complete separate financial statements for the WHJPA may be obtained at the City of Lincoln Finance Department, 555 South 10th Street, Suite 103, Lincoln, NE 68508.

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, 2012. 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, 2011. The amounts included in the City's 2012 financial statements for LES are amounts as of and for the year ended December 31, 2011.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2012

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise funds:

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

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

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

Additionally, the City reports the following fund types:

Internal Service Funds account for data processing, engineering, risk management, fleet management, municipal services center operations, telecommunications, and copy services

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2012

provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

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

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

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict pronouncements of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. Only the City's Lincoln Wastewater System and Lincoln Water System funds have elected to follow subsequent private-sector guidance.

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.

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.

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 assets 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.

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2012

ASSETS, LIABILITIES, AND NET ASSETS OR FUND EQUITY

Deposits and Investments

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

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

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

Receivables and Payables

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

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

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

Inventories and Prepaid Items

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

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

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

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

Deferred Charges

LES' share of payments made for the construction of the Dry Fork Coal Mine are included in deferred charges on the statement of net assets. The mine is expected to provide fuel for Laramie River Station over the estimated 25-year life of the mine. The advances will be returned to LES over the estimated life of the mine. In addition, costs related to certain capital improvements at Sheldon Station have been deferred under accounting pronouncements applicable to regulated utilities.

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2012

Investment in Joint Venture

Investment in joint venture consists of the City's interest in the Joint Antelope Valley Authority (see Note 23), a joint administrative entity reported in the City's financial statements using the equity method of accounting.

Capital Assets

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	10 - 50
Improvements	5 - 40
Infrastructure	20 - 100
Equipment	2 - 20
Utility Plant	30 - 40

The exception to this rule is library media, which is depreciated using a composite depreciation method.

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 limits established by the employees' bargaining unit. Upon retirement, an employee is reimbursed for accumulated sick leave with 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.

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2012

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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt using the bonds-outstanding method. For current and advance refundings of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

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

Fund Equity

Fund balances reflect assets minus liabilities 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 other governments; or imposed by law through constitutional provisions or enabling legislation. Fund balance is reported as committed when constraints are imposed by formal action (ordinance) of the City Council, the City's highest level of decision-making authority. Fund balance is reported as assigned when the intent of the City (resolution, executive order) is to use the funds for a specific purpose. Unassigned fund balance is the residual amount and may only be reported in the General Fund.

The City has established a policy providing for an unreserved fund balance in the City's General Fund. To meet excess cash flow needs, no less than twenty percent of the ensuing year's General Fund budget is to be set aside as an unrestricted reserve. Currently \$26,393,981 of the General Fund's spendable and unrestricted fund balance meets the requirements of this policy.

Net Assets Classification

Net assets are assets minus liabilities and are shown in the entity-wide, proprietary, and fiduciary fund financial statements. Net assets are required to be classified into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net assets 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. 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 invested in capital assets, net of related debt.

Restricted – This component of net assets consists of restrictions placed on net assets use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or law or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2012

The government-wide statement of net assets reports \$278,004,436 of restricted net assets, of which enabling legislation restricts \$16,863,650.

Unrestricted – This component consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

BUDGETARY DATA

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

- 1) At least 40 days prior to the end of the budget and fiscal year, the Mayor submits to the City Council a proposed annual budget for the ensuing year. The annual budget is a complete financial plan for the ensuing budget year 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 fiscal year, 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. 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 the year.

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 annual 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 fiscal year except for those reappropriated by Council resolution, capital improvement appropriations and year-end encumbrances against operating budgets. Capital improvement appropriations are continuing appropriations through completion of the project.
- 8) Budgets are adopted by resolution for the following fund types: general, special revenue, debt service, capital projects, permanent, enterprise, internal service, and pension trust. Legally adopted annual budgets are not established for the West Haymarket JPA component unit, certain special revenue (Advance Acquisition, Police & Fire Pension Contributions, Special Assessment, Impact Fees, Parks & Recreation Special Projects, Seniors Foundation of Lincoln & Lancaster County, and R.P. Crawford Park), permanent (J.J. Hompes), Fast Forward, and agency funds. In addition, capital project funds are budgeted on a project rather than an annual basis.

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The City began utilizing a biennial budget process for the fiscal year beginning September 1, 2012. The biennial budget will be a complete financial plan for the biennial period and will consist of an operating budget and a capital budget.

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 \$19,937,630, which is reported as expendable health care restricted net assets in the statement of net assets. The initial endowment principal is reported as nonexpendable health care restricted net assets in the statement of net assets.

PRIOR-YEAR SUMMARIZED FINANCIAL INFORMATION

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's basic financial statements as of and for the year ended August 31, 2011, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

ESTIMATES

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

IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

In 2012, the City implemented the provisions of GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, which clarifies the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB 64 did not have a material impact on the 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 ASSETS

The governmental funds balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets of governmental activities* as reported in the government-wide statement of net assets. 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 \$473,155,577 difference are as follows:

CITY OF LINCOLN, NEBRASKA
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Bonds Payable	\$ 419,167,849
Less deferred charge for issuance costs	(6,216,521)
Less issuance discounts	(1,004,028)
Plus issuance premiums	11,425,596
Less deferred charge on refunding	(1,303,610)
Capital Leases Payable	24,693,594
Accrued Interest Payable	4,478,903
Net Pension Obligation	3,115,746
Net OPEB Obligation	5,144,167
Compensated Absences	13,653,881
Net difference	<u>\$ 473,155,577</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 assets 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 \$104,674,946 difference are as follows:

Capital outlay	\$ 130,907,234
Depreciation expense	<u>(26,232,288)</u>
Net difference	<u>\$ 104,674,946</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 assets. Also, governmental funds report the effect of issuance costs, 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 \$5,996,535 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation refunding bonds	\$ (8,090,000)
Issuance of general obligation highway allocation fund refunding bonds	(28,095,000)
Issuance of special assessment revolving fund bonds	(3,000,000)
Issuance of certificates of participation	(3,080,000)
Deferred charge for issuance costs	543,425
Issuance premiums	(4,182,049)
Amortization of deferred items	53,372
Principal repayments and transfers to bond refunding agent	<u>51,846,787</u>
Net difference	<u>\$ 5,996,535</u>

Another element of that reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$(1,589,757) difference are as follows:

CITY OF LINCOLN, NEBRASKA
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Loss on disposal of capital assets	\$ (462,220)
Construction contracts	313,784
Other	94,060
Accrued interest	(538,653)
Compensated absences	(996,728)
Net difference	<u>\$ (1,589,757)</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 assets because their use is limited by applicable bond covenants. Assets included in the Bond Principal and Interest Account and the Bond Reserve Account are restricted for the payment of bond principal and interest. Assets included in the Surplus Account and the Depreciation and Replacement Account are restricted for purposes including improvements, repairs and replacements, acquisition of equipment, and the payment of bond principal and interest. Assets included in the Construction Account are restricted for paying the cost of capital improvements. Lincoln Electric System has also restricted certain assets for employee health claims. Certain assets of the Pershing Municipal Auditorium Enterprise Fund are classified as restricted assets to be used for marketing and improvements. Certain assets of the Fleet Services Internal Service Fund are restricted for purchase of capital equipment.

A recap of restrictions and related balances at August 31, 2012, are as follows:

Fund Account	Golf	Parking Facilities	Pershing Municipal Auditorium	Solid Waste Management	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Fleet Services	Total
Principal and Interest	\$ -	190,974	-	-	942,457	239,893	15,278,000	-	16,651,324
Reserve	-	2,338,575	-	400,000	5,998,092	6,948,305	21,310,000	-	36,994,972
Depreciation and Replacement	-	930,475	-	-	-	-	-	-	930,475
Capital Construction and Equipment	1,383,607	1,412,554	2,497	15,232	517,383	74,777	-	228,814	3,634,864
Claims	-	-	-	-	-	-	801,000	-	801,000
Marketing	-	-	50,221	-	-	-	-	-	50,221
Total	<u>\$ 1,383,607</u>	<u>4,872,578</u>	<u>52,718</u>	<u>415,232</u>	<u>7,457,932</u>	<u>7,262,975</u>	<u>37,389,000</u>	<u>228,814</u>	<u>59,062,856</u>

Restricted assets for internal balances are shown on the fund statements and included above, but are segregated and not included in restricted asset balances on the statement of net assets.

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

(4) DEPOSITS AND INVESTMENTS

DEPOSITS

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

State Statutes 15-846 and 15-847 R.R.S., 1943 require banks either to provide a bond or to pledge government securities (types of which are specifically identified in the Statutes) to the City Treasurer in 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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One or more of the financial institutions holding the City's cash accounts are participating in the FDIC Transaction Account Guarantee Program. Under the program, through December 31, 2012, all noninterest-bearing transaction accounts at these institutions are fully guaranteed by the FDIC for the entire amount in the account. Beginning January 1, 2013, noninterest-bearing transaction accounts are subject to the \$250,000 limit on FDIC insurance per covered institution.

For interest-bearing cash accounts, the City's cash deposits, including certificates of deposit, are insured up to \$250,000 by the FDIC. Any cash deposits or certificates of deposit in excess of the \$250,000 FDIC limits are covered by collateral held in a Federal Reserve pledge account or by an agent for the City and thus no custodial risk exists.

INVESTMENTS

At August 31, 2012, the City had the following investments, maturities and credit ratings:

Type	August 31, 2012 Maturities in Years					Credit Rating	
	Carrying Value	Less than 1	1-5	6-10	More than 10	Moody's	S&P
General City:							
U.S. Treasury Obligations	\$ 30,917,490	19,869,780	11,047,710	-	-	N/A	N/A
U.S. Sponsored Agency Obligations	430,215,166	309,837,305	56,195,869	57,691,586	6,490,406	Aaa	AA+
Collateralized Repurchase Agreements	663,899	663,899	-	-	-	N/A	N/A
Collateralized Investment Agreements	1,120,000	-	1,120,000	-	-	Baa1	A+ (Fitch)
Collateralized Investment Agreements	3,139,981	-	-	-	3,139,981	Aa3	AA-
Money Market Funds - U.S. Treasury	3,615,761	3,615,761	-	-	-	Aaa	AAA
Money Market Funds - U.S. Agencies	24,532,810	24,532,810	-	-	-	Aaa	AAA
External Investment Trust	6,650,000	6,650,000	-	-	-	Not rated	Not rated
Tax Increment Financing Investments	2,515,766	-	576,619	1,939,147	-	Not rated	Not rated
Fixed Income Mutual Funds	147,277	147,277	-	-	-	Not rated	Not rated
Equities	636,733	636,733	-	-	-	Not rated	Not rated
Complementary Strategies	67,603	67,603	-	-	-	Not rated	Not rated
Real Assets	81,363	81,363	-	-	-	Not rated	Not rated
Total General City	504,303,849	366,102,531	68,940,198	59,630,733	9,630,387		
Community Health Endowment:							
Money Market Mutual Funds	1,082,887	1,082,887	-	-	-	Not rated	Not rated
Mutual Funds							
Convertible Bonds	4,590,295	4,590,295	-	-	-	Not rated	Not rated
Institutional Funds							
Fixed Income	13,186,066	13,186,066	-	-	-	Not rated	Not rated
Intermediate Term Credit	6,542,449	6,542,449	-	-	-	Not rated	Not rated
Large Cap Equity	8,062,683	8,062,683	-	-	-	Not rated	Not rated
International Equity	5,805,243	5,805,243	-	-	-	Not rated	Not rated
High-Yield Bonds	2,811,901	2,811,901	-	-	-	Not rated	Not rated
Emerging Markets Equity	2,743,177	2,743,177	-	-	-	Not rated	Not rated
Hedge Funds	2,701,547	2,701,547	-	-	-	Not rated	Not rated
Mid Cap Equity	1,128,006	1,128,006	-	-	-	Not rated	Not rated
U.S. Treasuries	1,662,767	1,662,767	-	-	-	Not rated	Not rated
Small Cap Equity	1,686,586	1,686,586	-	-	-	Not rated	Not rated
Commodities	1,976,895	1,976,895	-	-	-	Not rated	Not rated
Real Estate	1,990,860	1,990,860	-	-	-	Not rated	Not rated
Limited Partnership	1,038,222	-	1,038,222	-	-	Not rated	Not rated
Other	67,865	67,865	-	-	-	Not rated	Not rated
Total Community Health Endowment	57,077,449	56,039,227	1,038,222	-	-		
Police & Fire Pension Trust:							
Corporate Bonds	805,800	-	-	-	805,800	B (Fitch)	BB+
Mutual Funds	147,725,024	-	-	-	-		
Private Equity	561,029	-	-	-	-		
Real Estate Limited Partnerships	13,095,044	-	-	-	-		
Total Police & Fire Pension Trust	162,186,897						
Total Primary Government	\$ 723,568,195						

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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. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits current operating funds to be invested with maturities of not longer than twenty-four months. Fixed income investments held in construction funds, operating funds, and other nonoperating funds are limited to ten-year maturities. Investment agreements are not subject to interest rate risk, as the issuer guarantees the interest rate. Money market mutual funds and external investment funds are presented as investments with a maturity of less than one year because they are redeemable in full immediately. Tax Increment Financing investments are allowed to exceed 10 years as the interest rates are guaranteed by the fund and the investment is made within the City's funds.

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

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

Investment agreements are made with provisions that if the provider is downgraded below Aa3 by Moody's Investors Service (Moody's) or AA- by Standard & Poor's (S&P), the provider must deliver collateral of U.S. Government agencies obligations at a margin of 102-104%, and if the provider is further downgraded below A3 by Moody's or A- by S&P, the City will have the right to terminate the agreement and receive all invested amounts plus accrued but unpaid interest without penalty. As of August 31, 2012, the investment agreements were adequately collateralized with U.S. Government agencies obligations that had a rating of Aaa by Moody's and AA+ by S&P, or by small business administration obligations which are 100% guaranteed by the U.S. Government.

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

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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.

<u>Type</u>	<u>Portfolio Composition</u>	<u>Policy Limits on Issuer</u>
U.S. agency obligations:		
Federal Home Loan Bank	30.78 %	40.00 %
Federal Home Loan Mortgage Corporation	23.50	40.00
Federal National Mortgage Association	25.16	40.00
Federal Farm Credit Bank	5.87	40.00

Community Health Endowment (CHE) Policy

As a public endowment fund, under State law, CHE is permitted to invest in the manner required of a prudent investor acting with care, skill and diligence under the prevailing circumstance, without restrictions as to the type and limits of investments.

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

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

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

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

Foreign Currency Risk. This risk relates to adverse affects on the fair value of an investment from changes in exchange rates. CHE had no investment denominated in foreign currency at August 31, 2012.

Police & Fire Pension Trust Policy

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

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

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

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

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

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

Summary of Deposit and Investment Balances

Following is a reconciliation of the City's deposit and investment balances as of August 31, 2012:

	<u>Totals</u>			
Investments	\$ 723,568,195			
Deposits and Cash on Hand	9,783,900			
	<u>\$ 733,352,095</u>			
		<u>Government-wide</u>	<u>Fiduciary Funds</u>	
		Statement of	Statement of	
		Net Assets	Net Assets	<u>Totals</u>
Cash and Cash Equivalents	\$ 28,945,464	5,477,423		34,422,887
Investments	434,603,033	168,294,994		602,898,027
Restricted Assets:				
Cash and Cash Equivalents	11,721,387	-		11,721,387
Investments	84,309,794	-		84,309,794
	<u>\$ 559,579,678</u>	<u>173,772,417</u>		<u>733,352,095</u>

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 balance sheet:

	Major Funds				Total
	General Fund	Street Construction	West Haymarket JPA	Other Funds	
Fund Balances:					
Nonspendable:					
Inventory	\$ 379,402	264,323	-	485,996	1,129,721
Prepaid Items	4,454,094	172,937	28,814	-	4,655,845
Permanent Fund Principal	-	-	-	37,160,000	37,160,000
Total Nonspendable	<u>4,833,496</u>	<u>437,260</u>	<u>28,814</u>	<u>37,645,996</u>	<u>42,945,566</u>
Restricted For:					
Capital Improvements	332,627	18,172,109	135,151,772	11,783,064	165,439,572
Human Services	877,621	-	-	-	877,621
Donor Purposes	2,394,538	-	-	1,510,715	3,905,253
Public Improvements	1,672,268	-	-	-	1,672,268
Agency Activities	-	-	12,010,867	-	12,010,867
Land Purchases	-	-	-	1,251,424	1,251,424
Social Security Obligations	-	-	-	1,022,094	1,022,094
Community Betterment	-	-	-	1,390,187	1,390,187
Federal Loan Programs	-	-	-	19,582,000	19,582,000
Grant Programs	-	-	-	2,751,247	2,751,247
Special Assessment Improvements	-	-	-	466,711	466,711
Debt Service	-	-	-	17,964,189	17,964,189
Health Care	-	-	-	19,937,630	19,937,630
Claims Contingencies	-	-	-	865,000	865,000
Library Media	-	-	-	489,643	489,643
Total Restricted	<u>5,277,054</u>	<u>18,172,109</u>	<u>147,162,639</u>	<u>79,013,904</u>	<u>249,625,706</u>
Committed To:					
Public Access Television	-	-	-	805,612	805,612
Assigned To:					
Capital Improvements	-	11,678,214	-	207,968	11,886,182
Donor Purposes	779,585	-	-	-	779,585
Public Improvements	505,524	-	-	-	505,524
Athletic Facility Improvements	890,908	-	-	-	890,908
Senior Care	137,496	-	-	-	137,496
Emergency Communications	1,641,285	-	-	-	1,641,285
Economic Development Projects	6,289,815	-	-	-	6,289,815
Snow Removal	-	1,536,601	-	-	1,536,601
Land Purchases	-	-	-	18,843	18,843
Public Access Television	-	-	-	13,102	13,102
Library Services	-	-	-	2,749,534	2,749,534
Health Care	-	-	-	818,564	818,564
Social Security Obligations	-	-	-	351,155	351,155
Public Transportation	-	-	-	1,211,455	1,211,455
Community Betterment	-	-	-	30,501	30,501
Building Code Enforcement	-	-	-	2,843,372	2,843,372
Park Projects	-	-	-	135,255	135,255
Other Purposes	3,114,684	-	-	-	3,114,684
Total Assigned	<u>13,359,297</u>	<u>13,214,815</u>	<u>-</u>	<u>8,379,749</u>	<u>34,953,861</u>
Unassigned	<u>25,631,426</u>	<u>-</u>	<u>-</u>	<u>(191,814)</u>	<u>25,439,612</u>
Total Fund Balances	<u>\$ 49,101,273</u>	<u>31,824,184</u>	<u>147,191,453</u>	<u>125,653,447</u>	<u>353,770,357</u>

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

Receivables at August 31, 2012, consist of the following (in thousands):

Fund	Taxes	Accounts	Loans	Contributions	Special Assessment		Accrued Interest	Gross Receivables	Allowance For Uncollectibles	Net
					Current	Deferred				
General	\$ 3,656	2,817	-	-	-	-	78	6,551	-	6,551
Street Construction	-	351	-	-	-	-	44	395	-	395
West Haymarket JPA	1,236	17	-	-	-	-	338	1,591	-	1,591
Wastewater System	-	4,456	-	-	-	-	-	4,456	-	4,456
Water System	-	9,199	-	-	-	-	-	9,199	-	9,199
Electric System	-	33,091	-	-	-	-	234	33,325	1,267	32,058
Nonmajor -										
Special Revenue	1,525	507	24,509	-	-	-	69	26,610	4,927	21,683
Debt Service	811	-	-	-	313	655	33	1,812	71	1,741
Capital Projects	-	-	-	-	-	-	50	50	-	50
Permanent	-	-	-	-	-	-	1	1	-	1
Enterprise	-	6,765	-	-	-	-	75	6,840	4,229	2,611
Internal Service	-	272	-	-	-	-	81	353	-	353
Fiduciary	-	44	-	570	-	-	566	1,180	-	1,180
Total	\$ 7,228	57,519	24,509	570	313	655	1,569	92,363	10,494	81,869

Enterprise funds customer accounts receivable include unbilled charges for services. Delinquent special assessment receivables at August 31, 2012, were \$183,023.

The total of Due From Other Governments of \$28,489,016 includes the following significant items:

<u>Fund/Fund Type</u>	<u>Amount</u>	<u>Service</u>
General/Major Governmental	\$ 10,585,925	State of Nebraska, July/August Sales and Use Tax
	411,724	August Motor Vehicle Taxes Collected by Lancaster County
	80,421	Federal Government, Cost Reimbursements
	58,575	State of Nebraska, Cost Reimbursements
	75,616	Lancaster County, Cost Reimbursements
Street Construction/Major Governmental	3,474,512	State of Nebraska, July/August Highway User Fees
	61,163	Railroad Transportation Safety District, Cost Reimbursements
	5,896,631	Federal Government, Cost Reimbursements
West Haymarket JPA/Major Governmental	812,558	Federal Government, Cost Reimbursements
	80,945	State of Nebraska, Cost Reimbursements
Wastewater/Major Enterprise	967,257	State of Nebraska, Cost Reimbursements
	118,617	Federal Government, Cost Reimbursements
Water/Major Enterprise	1,500,956	State of Nebraska, Cost Reimbursements
Lincoln/Lancaster Co. Health/Special Revenue	345,909	Lancaster County, Cost Reimbursements
StarTran/Special Revenue	10,815	Federal Government, Cost Reimbursements
Federal Grants/Special Revenue	1,772,059	Federal Government, Cost Reimbursements
	273,492	State of Nebraska, Cost Reimbursements
Antelope Valley/Tax Supported Bonds/Debt Service	166,667	State of Nebraska, July/August Development Fund Disbursements
Vehicle Tax/Capital Projects	1,369,403	August Motor Vehicle Taxes Collected by Lancaster County
Parking Lot Revolving/Enterprise	116,534	State of Nebraska, Cost Reimbursements
Information Services/Internal Service	226,338	Lancaster County Billings
Insurance Revolving/Internal Service	11,830	Lancaster County Billings
Copy Services/Internal Service	14,853	Lancaster County Billings
Subtotal	28,432,800	
All other	56,216	
Total Due From Other Governments	\$ 28,489,016	

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August 31, 2012

(7) **CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2012, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 69,850,907	69,314,379	396,409	138,768,877
Construction in Progress	167,924,977	102,594,348	111,132,742	159,386,583
Total Capital Assets, not being Depreciated	<u>237,775,884</u>	<u>171,908,727</u>	<u>111,529,151</u>	<u>298,155,460</u>
Capital Assets, being Depreciated:				
Buildings	82,225,612	6,201,705	21,040	88,406,277
Improvements Other Than Buildings	66,309,398	4,677,503	1,519,798	69,467,103
Machinery and Equipment	85,634,114	6,805,926	3,370,597	89,069,443
Infrastructure	548,713,115	59,315,031	92,698	607,935,448
Total Capital Assets, being Depreciated	<u>782,882,239</u>	<u>77,000,165</u>	<u>5,004,133</u>	<u>854,878,271</u>
Less Accumulated Depreciation for:				
Buildings	32,481,221	2,126,950	19,355	34,588,816
Improvements Other Than Buildings	28,432,482	2,134,741	1,460,249	29,106,974
Machinery and Equipment	49,949,097	7,090,418	3,272,433	53,767,082
Infrastructure	196,265,054	17,462,771	48,456	213,679,369
Total Accumulated Depreciation	<u>307,127,854</u>	<u>28,814,880</u>	<u>4,800,493</u>	<u>331,142,241</u>
Total Capital Assets, being Depreciated, Net	<u>475,754,385</u>	<u>48,185,285</u>	<u>203,640</u>	<u>523,736,030</u>
Governmental Activities Capital Assets, Net	<u>\$ 713,530,269</u>	<u>220,094,012</u>	<u>111,732,791</u>	<u>821,891,490</u>
	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 24,144,286	88,014	-	24,232,300
Construction in Progress	79,574,630	76,513,970	96,219,368	59,869,232
Total Capital Assets, not being Depreciated	<u>103,718,916</u>	<u>76,601,984</u>	<u>96,219,368</u>	<u>84,101,532</u>
Capital Assets, being Depreciated:				
Buildings	193,588,310	22,131,759	-	215,720,069
Improvements Other Than Buildings	615,410,886	18,157,179	-	633,568,065
Machinery and Equipment	30,354,865	2,805,950	2,157,058	31,003,757
Utility Plant	1,224,514,000	47,751,000	4,268,000	1,267,997,000
Total Capital Assets, being Depreciated	<u>2,063,868,061</u>	<u>90,845,888</u>	<u>6,425,058</u>	<u>2,148,288,891</u>
Less Accumulated Depreciation for:				
Buildings	70,938,019	4,390,242	-	75,328,261
Improvements Other Than Buildings	170,109,772	12,507,405	-	182,617,177
Machinery and Equipment	18,459,870	1,897,502	2,119,082	18,238,290
Utility Plant	470,744,000	41,002,000	5,323,000	506,423,000
Total Accumulated Depreciation	<u>730,251,661</u>	<u>59,797,149</u>	<u>7,442,082</u>	<u>782,606,728</u>
Total Capital Assets, being Depreciated, Net	<u>1,333,616,400</u>	<u>31,048,739</u>	<u>(1,017,024)</u>	<u>1,365,682,163</u>
Business-type Activities Capital Assets, Net	<u>\$ 1,437,335,316</u>	<u>107,650,723</u>	<u>95,202,344</u>	<u>1,449,783,695</u>

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

Governmental Activities:	
General Government	\$ 1,231,172
Public Safety	1,945,299
Streets and Highways, including Infrastructure	16,724,188
Culture and Recreation	3,889,205
Economic Opportunity	41,804
Health and Welfare	297,439
Mass Transit	<u>2,103,181</u>
Subtotal	26,232,288
Internal Service Funds Capital Assets	
Depreciation is charged to the various functions based on usage of the assets.	<u>2,582,592</u>
Total Depreciation Expense - Governmental	<u>\$ 28,814,880</u>
Business-type Activities:	
Parking Lots	\$ 28,492
Golf	562,569
Parking Facilities	1,208,227
Pershing Municipal Auditorium	20,239
Solid Waste Management	1,924,210
Emergency Medical Services	207,990
Wastewater System	7,314,450
Water System	7,528,972
Lincoln Electric System	<u>41,002,000</u>
Total Depreciation Expense - Business-type	<u>\$ 59,797,149</u>

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

	Beginning Balances	Increases	Decreases	Ending Balances
Lincoln Wastewater System:				
Capital Assets, not being Depreciated:				
Land	\$ 5,913,340	83,483	-	5,996,823
Construction in Progress	6,189,533	9,689,247	14,111,618	1,767,162
Total Capital Assets, not being Depreciated	<u>12,102,873</u>	<u>9,772,730</u>	<u>14,111,618</u>	<u>7,763,985</u>
Capital Assets, being Depreciated:				
Buildings	75,384,901	4,454,488	-	79,839,389
Improvements Other Than Buildings	254,651,742	10,496,110	-	265,147,852
Machinery and Equipment	8,596,734	221,225	23,977	8,793,982
Total Capital Assets, being Depreciated	<u>338,633,377</u>	<u>15,171,823</u>	<u>23,977</u>	<u>353,781,223</u>
Less Accumulated Depreciation for:				
Buildings	23,271,134	1,815,805	-	25,086,939
Improvements Other Than Buildings	69,217,652	5,033,436	-	74,251,088
Machinery and Equipment	4,895,301	465,209	18,802	5,341,708
Total Accumulated Depreciation	<u>97,384,087</u>	<u>7,314,450</u>	<u>18,802</u>	<u>104,679,735</u>
Total Capital Assets, being Depreciated, Net	<u>241,249,290</u>	<u>7,857,373</u>	<u>5,175</u>	<u>249,101,488</u>
Wastewater System Capital Assets, Net	<u>\$ 253,352,163</u>	<u>17,630,103</u>	<u>14,116,793</u>	<u>256,865,473</u>

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
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	Beginning Balances	Increases	Decreases	Ending Balances
Lincoln Water System:				
Capital Assets, not being Depreciated:				
Land	\$ 5,445,167	4,531	-	5,449,698
Construction in Progress	1,511,081	5,123,328	2,233,713	4,400,696
Total Capital Assets, not being Depreciated	<u>6,956,248</u>	<u>5,127,859</u>	<u>2,233,713</u>	<u>9,850,394</u>
Capital Assets, being Depreciated:				
Buildings	67,363,431	363,868	-	67,727,299
Improvements Other Than Buildings	324,805,770	2,466,019	-	327,271,789
Machinery and Equipment	8,569,723	615,689	569,336	8,616,076
Total Capital Assets, being Depreciated	<u>400,738,924</u>	<u>3,445,576</u>	<u>569,336</u>	<u>403,615,164</u>
Less Accumulated Depreciation for:				
Buildings	24,398,945	1,379,253	-	25,778,198
Improvements Other Than Buildings	80,607,609	5,709,136	-	86,316,745
Machinery and Equipment	4,686,132	440,583	550,571	4,576,144
Total Accumulated Depreciation	<u>109,692,686</u>	<u>7,528,972</u>	<u>550,571</u>	<u>116,671,087</u>
Total Capital Assets, being Depreciated, Net	<u>291,046,238</u>	<u>(4,083,396)</u>	<u>18,765</u>	<u>286,944,077</u>
Water System Capital Assets, Net	<u>\$ 298,002,486</u>	<u>1,044,463</u>	<u>2,252,478</u>	<u>296,794,471</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Lincoln Electric System:				
Capital Assets, not being Depreciated:				
Construction in Progress	\$ 58,267,000	52,529,000	58,112,000	52,684,000
Capital Assets, being Depreciated:				
Utility Plant	1,224,514,000	47,751,000	4,268,000	1,267,997,000
Less Accumulated Depreciation	470,744,000	41,002,000	5,323,000	506,423,000
Total Capital Assets, being Depreciated, Net	<u>753,770,000</u>	<u>6,749,000</u>	<u>(1,055,000)</u>	<u>761,574,000</u>
Electric System Capital Assets, Net	<u>\$ 812,037,000</u>	<u>59,278,000</u>	<u>57,057,000</u>	<u>814,258,000</u>

Interest incurred during the construction phase of capital assets of business-type activities is added to the cost of the underlying assets constructed and is amortized over the useful lives of the assets. During 2012, capitalized interest activity was as follows:

	Incurred Interest Cost	Capitalized Interest
Lincoln Wastewater System	\$ 3,564,879	162,593
Lincoln Water System	2,942,846	56,888
Lincoln Parking System	1,124,682	567,973
Golf Fund	39,002	24,324

Lincoln Electric System utility plant includes an allowance for funds used during construction for projects costing in excess of \$500,000 with a budgeted construction period in excess of 12 months. The allowance for funds used during construction consists of the project balance times the weighted-average interest rate on debt based on Federal Energy Regulatory Commission accounting method. The weighted-average rate for 2011 was 4.6%.

CITY OF LINCOLN, NEBRASKA
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August 31, 2012

(8) **INTERFUND BALANCES AND ACTIVITY**

Balances Due To/From Other Funds at August 31, 2012, consist of the following:

Due To	Due From						Total
	General Fund	Street Construction	West Haymarket JPA	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	
General Fund	\$ -	720	12,491	36,939	849,354	727,394	1,626,898
Street Construction	464,299	-	-	5,750,665	-	-	6,214,964
West Haymarket JPA	1,044,032	-	-	-	-	-	1,044,032
Nonmajor Governmental	970,303	-	-	1,847,655	30,000	5,734	2,853,692
Lincoln Wastewater System	347,338	-	-	364,711	-	-	712,049
Lincoln Water System	299,582	-	-	73,164	-	-	372,746
Nonmajor Enterprise	272,999	2,967	-	92,255	7,893	16	376,130
Internal Service	1,064,334	236,508	496	178,248	42,331	63,149	1,585,066
Total	\$ 4,462,887	240,195	12,987	8,343,637	929,578	796,293	14,785,577

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

During 2005 the City’s General Fund purchased the street light system from LES at an amount equal to the net book value of the street light system at the transaction date. The purchase was financed through an interfund borrowing. On the government-wide statements, the purchase was accounted for as a purchase of capital assets of governmental activities and a sale of capital assets of business-type activities. On the governmental fund statements, the General Fund recognized a liability in due to other funds and a prepayment for the funds borrowed from the City’s other funds. Each fund has recorded a receivable for the pro-rata share of the borrowed funds. The General Fund will pay back the amount borrowed plus interest in scheduled monthly installments over a period of 126 months. As payments are made, the General Fund will reduce the liability, the related prepayment, and recognize streets and highways expenditures.

Transfers To/From Other Funds for the year ended August 31, 2012, consist of the following:

Transfer To	Transfer From						Total
	General Fund	Street Construction	Nonmajor Governmental	Lincoln Electric System	Nonmajor Enterprise	Internal Service	
General Fund	\$ -	-	636,300	8,205,760	696,769	6,532	9,545,361
Street Construction	2,078,556	-	13,474,036	-	-	-	15,552,592
West Haymarket JPA	307,428	-	-	-	-	-	307,428
Nonmajor Governmental	17,453,137	6,113,306	3,271,460	-	1,116,476	-	27,954,379
Lincoln Wastewater	-	-	3,660	-	-	-	3,660
Lincoln Water System	20,605	-	-	-	-	-	20,605
Nonmajor Enterprise	632,628	-	107,968	-	-	-	740,596
Internal Service	33,627	-	24,613	-	-	45,000	103,240
Total	\$ 20,525,981	6,113,306	17,518,037	8,205,760	1,813,245	51,532	54,227,861

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

The \$4,193,760 variance for transfers on the Statement of Activities is caused by the different fiscal year end dates used by the City (August 31) and Lincoln Electric System (December 31). Lincoln Electric System records an estimate for payments of return on equity as an accrued liability at December 31. The City however, receives the payments before the August 31 fiscal year end, and records the total amount as a transfer in.

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2012

(9) **DEBT OBLIGATIONS**

SHORT-TERM

Established by City Ordinance, LES may borrow up to \$150 million under a commercial paper note program. At December 31, 2011, LES had \$128.5 million of tax-exempt commercial paper notes outstanding. The notes mature at various dates but not more than 270 days after the date of issuance. The weighted-average interest rate for the year ended December 31, 2011, was 0.20 percent. The outstanding commercial paper notes are secured by a revolving credit agreement, which provides for borrowings up to \$150 million. LES pays a commitment fee for the credit agreement. Under the terms of the agreement, LES can either settle or refinance the commercial paper upon maturity. LES uses commercial paper notes as part of their long-term financing strategy. As such, commercial paper is typically renewed as it matures. The weighted average length of maturity of commercial paper for 2011 was 42 days.

Commercial paper activity for the year ended December 31, 2011, is as follows:

Lincoln Electric System:	Beginning			Ending	Due Within
Commercial Paper Notes	Balance	Additions	Reductions	Balance	One Year
	\$ 90,000,000	994,600,000	(956,100,000)	128,500,000	128,500,000

LONG-TERM

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

Net assets of \$4,447,455, \$2,847,674, \$10,305,977, and \$363,083 are currently available in the debt service funds to service the General Obligation Bonds, Tax Supported Bonds, Tax Allocation Bonds, and Special Assessment Bonds, respectively. Revenue Bonds are funded partially from reserve accounts set up for debt repayment and partially from proceeds of daily operations.

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

	Governmental Activities	Business-Type Activities
Land	\$ 1,774,450	\$ 210,000
Buildings	19,307,004	-
Improvements	219,925	-
Infrastructure	15,475,023	-
Machinery and Equipment	4,699,356	3,122,785
Construction in Progress	672,247	160,297
Less Accumulated Depreciation, (where applicable)	(6,939,014)	(2,219,160)
Total	\$ 35,208,991	\$ 1,273,922

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

CITY OF LINCOLN, NEBRASKA
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In 2012, the City issued the following refunding bonds:

- \$28,095,000 in general obligation highway allocation fund refunding bonds with an average interest rate of 3.90% to advance refund \$30,155,000 in 2004 bonds. The refunding resulted in a cash flow differential of \$3,569,569 and a net present value savings of \$2,350,953.
- \$8,090,000 in general obligation refunding bonds with an average interest rate of 2.28% to advance refund \$7,960,000 of 2003 various purpose bonds. The refunding resulted in a cash flow differential of \$578,762, and a net present value savings of \$557,287.
- \$38,290,000 in sanitary sewer revenue refunding bonds with an average interest rate of 3.70% to advance refund \$40,345,000 in outstanding sanitary sewer revenue bonds, series 2003. The refunding resulted in a cash flow differential of \$10,070,963 and a net present value savings of \$5,934,216.
- \$10,895,000 in water revenue refunding bonds with an average interest rate of 3.55% to refund \$12,840,000 in outstanding water revenue bonds, series 2002. The refunding resulted in a cash flow differential of \$3,119,198 and a net present value savings of \$1,947,399.

Lincoln Wastewater System has entered into a loan agreement with the Nebraska Department of Environmental Quality (NDEQ) consisting of two separate contracts. Under contract 317247 the Lincoln Wastewater System has borrowed \$4,808,792 to fund certain sewer system extension and sewer repairs. The System also borrowed \$5,000,000 under contract 317078 to fund certain treatment facilities projects. The interest rate throughout the term of the loan is 2.0%. During the fiscal year ended August 31, 2012, project costs were incurred totaling \$2,556,613, resulting in a project loan payable of \$5,000,000.

The Wastewater System has also entered into a \$17,000,000 loan agreement with NDEQ to fund certain System improvements. The interest rate during the period of construction is 2%. After the date of initiation of operation, the interest rate will increase to 2.25%. In addition, an administrative fee of 1% will be incurred on the loan. During the fiscal year ended August 31, 2012, Lincoln Wastewater System incurred project costs totaling \$7,055,103, resulting in a project loan payable of \$5,683,103. The remaining available funds totaling \$11,316,897 are not reflected in the financial statements.

Lincoln Water System has entered into a \$15,000,000 loan agreement with NDEQ. This funding is available to fund certain water system extension and water repairs. The interest rate during the period of construction is 2%. After the date of initiation of operation, the interest rate will increase to 2.25%. In addition, an administrative fee of 1% will be incurred on the loan. During the year ended August 31, 2012, project costs were incurred totaling \$3,432,815, resulting in the recognition of a project loan payable of \$2,628,391. The remaining available funds totaling \$12,371,609 are not reflected in the financial statements.

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:							
9,950	06/15/05	Storm Sewer Construction	3.250 - 4.250	Serial 2006 to 2025	2015	Semiannually	7,235
8,295	06/27/07	Stormwater Drainage and Flood Mgmt	4.625 - 5.000	Serial 2008 to 2027	2017	"	6,935
8,200	02/10/11	Stormwater Bonds	2.000 - 4.500	Serial 2013 to 2030	2020	"	8,200
19,290	06/21/11	Refunding	0.200 - 5.000	Serial 2011 to 2022	2019	"	18,880
8,090	06/26/12	Refunding	1.000 - 3.000	Serial 2013 to 2023	---	"	8,090
Total General Bonds							<u>\$ 49,340</u>
Tax Allocation Bonds:							
5,500	04/21/04	Tax Allocation Bonds	3.000 - 4.800	Serial 2004 to 2015	2010	Semiannually	2,415
365	08/15/05	Tax Allocation Bonds	4.750	Serial 2006 to 2018	Anytime	"	187
288	10/01/06	Tax Allocation Bonds	5.100	Serial 2008 to 2016	Anytime	"	157
2,205	04/05/07	Tax Allocation Bonds	5.000 - 5.550	Serial 2009 to 2018	2012	"	1,655
601	06/01/07	Tax Allocation Bonds	5.240	Serial 2008 to 2018	Anytime	"	550
388	06/01/07	Tax Allocation Bonds	5.240	Serial 2007 to 2020	Anytime	"	275
369	06/15/07	Tax Allocation Bonds	5.400	Serial 2007 to 2014	Anytime	"	140
42	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2021	Anytime	"	33
71	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2017	Anytime	"	58
474	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2022	Anytime	"	280
547	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	435
200	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	157
611	06/30/09	Tax Allocation Bonds	7.00	Serial 2011 to 2023	Anytime	"	597
3,375	07/28/09	Tax Allocation Bonds	2.500 - 6.400	Serial 2011 to 2023	Anytime	"	3,175
263	04/01/11	Tax Allocation Bonds	3.990	Serial 2011 to 2022	Anytime	"	244
Total Tax Allocation Bonds							<u>\$ 10,358</u>
Tax Supported Bonds:							
27,000	12/05/06	Highway Allocation Fund	4.000 - 5.000	Serial 2008 to 2027	2016	Semiannually	22,155
28,095	06/06/12	Highway Allocation Fund Refunding	1.000 - 5.000	Serial 2012 to 2023	---	"	28,095
Total Tax Supported Bonds							<u>\$ 50,250</u>
Special Assessment Bonds:							
825	08/18/11	Special Assessment	0.400 - 3.700	Serial 2012 to 2026	2016	Semiannually	775
375	08/18/11	Special Assessment	4.200	Term 2031	2016	"	375
3,000	11/23/11	Special Assessment	2.000 - 3.500	Serial 2012 to 2031	2021	"	2,860
Total Special Assessment Bonds							<u>\$ 4,010</u>
West Haymarket Joint Public Agency							
31,515	09/08/10	Facility Bonds Taxable Build America Bonds	3.500 - 4.45	Serial 2020 to 2030	Anytime	Semiannually	31,515
68,485	09/08/10	Facility Bonds Taxable Build America Bonds	4.750 / 5.000	Term 2035 & 2045	Anytime	"	68,485
15,785	12/01/10	Facility Bonds Taxable Build America Bonds	4.000 - 5.000	Serial 2020 - 2025	Anytime	"	15,785
52,180	12/01/10	Facility Bonds Taxable Build America Bonds	5.400 / 5.800 / 6.000	Term 2030 2035 2039	Anytime	"	52,180
32,035	12/01/10	Recovery Zone Economic Development	6.750	Term 2045	Anytime	"	32,035
44,290	08/24/11	Facility Bonds	3.500 - 5.000	Serial 2021 to 2032	2021	"	44,290
55,710	08/24/11	Facility Bonds	4.250 / 5.000	Term 2036 & 2042	2021	"	55,710
Total West Haymarket Joint Public Agency							<u>\$ 300,000</u>
TOTAL GENERAL OBLIGATION BONDS							<u>\$ 413,958</u>
Tax Supported Bonds:							
11,080	3/13/02	Antelope Valley Project	1.500 - 5.000	Serial 2002 to 2016	2012	Semiannually	<u>\$ 5,210</u>

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Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
Business-Type Activities:							
Revenue Bonds:							
18,000	08/03/05	Wastewater Revenue	4.000 - 5.000	Serial 2006 to 2030	2015	Semiannually	14,460
16,710	04/18/07	Wastewater Revenue	4.000 - 4.500	Serial 2008 to 2029	2017	"	14,190
3,750	04/18/07	Wastewater Revenue	4.375	Term 2032	2017	"	3,750
38,290	05/24/12	Wastewater Revenue and Refunding	1.000 - 5.000	Serial 2013 to 2028	2023	"	38,290
Total Wastewater Bonds							<u>\$ 70,690</u>
40,000	11/16/04	Water Revenue	3.000 - 5.000	Serial 2005 to 2025	2014	Semiannually	31,210
10,515	08/04/09	Water Revenue	2.000 - 4.125	Serial 2013 to 2029	2019	"	10,515
4,905	08/04/09	Water Revenue	4.5000	Term 2034	2019	"	4,905
10,895	06/21/12	Water Revenue Refunding	1.000 - 4.000	Serial 2013 to 2022	---	"	10,895
Total Water Bonds							<u>\$ 57,525</u>
4,360	12/18/01	Parking Revenue	3.750 - 5.000	Serial 2002 to 2017	2011	Semiannually	1,650
1,640	12/18/01	Parking Revenue	5.125	Term 2021	2011	"	1,640
2,065	12/29/10	Parking Revenue	1.250 - 2.850	Serial 2011 to 2014	---	"	1,185
7,745	01/27/11	Parking Revenue and Refunding	2.000 - 5.000	Serial 2015 to 2024	2021	"	7,745
10,775	01/27/11	Parking Revenue and Refunding	5.000 / 5.125 / 5.500	Term 2026 & 2031	2021	"	10,775
Total Parking Bonds							<u>\$ 22,995</u>
4,000	08/17/06	Solid Waste Management Revenue	4.000 - 4.250	Serial 2007 to 2021	2013	Semiannually	\$ 2,800
148,190	10/01/02	Electric Revenue and Refunding Bonds	4.000 - 5.000	Serial 2004 to 2025	2012	Semiannually	70,040
93,045	10/01/03	Electric Revenue and Refunding Bonds	3.000 - 5.000	Serial 2004 to 2026	2014	"	74,905
33,265	10/01/03	Electric Revenue and Refunding Bonds	4.750	Term 2028	2014	"	33,265
61,290	10/01/05	Electric Revenue Bonds	5.000	Serial 2029 to 2032	2015	"	61,290
53,710	10/01/05	Electric Revenue Bonds	4.750	Term 2035	2015	"	53,710
183,230	05/15/07	Electric Revenue and Refunding Bonds	4.000 - 5.000	Serial 2009 to 2035	2016	"	172,490
81,850	05/15/07	Electric Revenue and Refunding Bonds	4.500 / 4.750	Term 2034 & 2037	2016	"	81,850
Total Electric Bonds							<u>\$ 547,550</u>
TOTAL REVENUE BONDS							<u><u>\$ 701,560</u></u>

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

Fiscal Year Ended August 31	Governmental Activities					
	General Obligation Bonds		Tax Supported Bonds		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 7,683	19,140	740	238	3,842	962
2014	8,876	19,022	780	200	3,983	878
2015	9,236	18,766	815	162	4,076	787
2016	9,606	18,433	855	122	4,165	680
2017	8,724	18,114	2,020	51	2,955	573
2018 - 2022	54,714	85,303	-	-	8,894	1,822
2023 - 2027	69,719	71,004	-	-	5,123	613
2028 - 2032	55,270	57,191	-	-	333	32
2033 - 2037	62,955	43,267	-	-	-	-
2038 - 2042	76,235	25,396	-	-	-	-
2043 - 2046	50,940	5,492	-	-	-	-
Total	\$ 413,958	381,128	5,210	773	33,371	6,347

Fiscal Year Ended August 31	Business-Type Activities					
	Revenue Bonds		Loans Payable		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 27,200	32,687	368	139	343	49
2014	28,440	31,411	527	259	350	41
2015	29,605	30,123	693	371	297	32
2016	30,920	28,746	709	355	243	27
2017	32,355	27,288	725	338	248	22
2018 - 2022	167,615	112,587	3,887	1,431	790	48
2023 - 2027	117,085	79,931	4,365	954	-	-
2028 - 2032	117,995	52,148	4,448	415	-	-
2033 - 2037	122,705	23,693	810	25	-	-
2038	27,640	1,244	-	-	-	-
Total	\$ 701,560	419,858	16,532	4,287	2,271	219

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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
2013	\$ 3,488	2,925	3,360	2,397	19,610	26,333
2014	3,724	2,858	3,498	2,323	20,595	25,353
2015	3,909	2,838	3,649	2,239	21,620	24,323
2016	4,047	2,665	3,752	2,107	22,675	23,271
2017	4,200	2,493	3,875	1,971	23,800	22,146
2018 - 2022	22,513	10,690	21,435	7,169	120,725	91,862
2023 - 2027	26,752	6,262	12,993	2,897	75,095	68,966
2028 - 2032	15,407	1,520	5,225	1,190	95,195	48,970
2033 - 2037	554	17	2,366	151	120,595	23,550
2038 - 2042	-	-	-	-	27,640	1,244
Total	\$ 84,594	32,268	60,153	22,444	547,550	356,018

Long-term liability activity for the year ended August 31, 2012, was as follows (in thousands of dollars):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and Leases Payable:					
General Bonds	\$ 51,600	8,090	(10,350)	49,340	4,225
Tax Allocation Bonds	11,658	-	(1,300)	10,358	1,203
Tax Supported Bonds	55,205	28,095	(33,050)	50,250	2,085
Special Assessment Debt with Government Commitment	1,200	3,000	(190)	4,010	170
West Haymarket Joint Public Agency Bonds	300,000	-	-	300,000	-
Tax Supported Antelope Valley Project Bonds	5,920	-	(710)	5,210	740
Capital Leases	33,525	3,534	(3,688)	33,371	3,842
Gross Bonds and Leases Payable	459,108	42,719	(49,288)	452,539	12,265
Deferred Amounts:					
For Issuance Premiums	9,202	4,182	(1,936)	11,448	-
For Issuance Discounts	(1,005)	-	1	(1,004)	-
For Refunding	(155)	(1,167)	18	(1,304)	-
Net Bonds and Leases Payable	467,150	45,734	(51,205)	461,679	12,265
Other Liabilities:					
Compensated Absences	14,184	8,379	(7,402)	15,161	7,681
Construction Contracts	4,806	-	(314)	4,492	-
Claims and Judgements	10,789	26,461	(26,947)	10,303	5,171
Net Pension Obligation	3,757	-	(641)	3,116	-
Net OPEB Obligation	3,377	2,067	-	5,444	-
Governmental Activities Long-Term Liabilities	\$ 504,063	82,641	(86,509)	500,195	25,117
Business-Type Activities:					
Bonds, Loans and Leases Payable:					
Wastewater Revenue Bonds	\$ 75,625	38,290	(43,225)	70,690	3,120
Wastewater Loan Payable	6,991	7,171	(258)	13,904	368
Water Revenue Bonds	63,920	10,895	(17,290)	57,525	3,360
Water Loan Payable	-	2,628	-	2,628	-
Parking Revenue Bonds	23,855	-	(860)	22,995	885
Solid Waste Management Revenue Bonds	3,020	-	(220)	2,800	225
Electric System Revenue Bonds	566,230	-	(18,680)	547,550	19,610
Capital Leases	1,009	1,520	(258)	2,271	342
Gross Bonds, Loans and Leases Payable	740,650	60,504	(80,791)	720,363	27,910
Deferred Amounts:					
For Issuance Premiums	13,576	4,949	(3,711)	14,814	-
For Issuance Discounts	(8,822)	-	1,776	(7,046)	-
For Refunding	(1,916)	(977)	479	(2,414)	-
Net Bonds and Leases Payable	743,488	64,476	(82,247)	725,717	27,910
Other Liabilities:					
Compensated Absences	1,785	1,062	(1,108)	1,739	1,080
Construction Contracts	6,157	3,409	(4,166)	5,400	5,092
Claims and Judgements	-	941	-	941	559
Net OPEB Obligation	576	261	-	837	-
Accrued Landfill Closure/Postclosure Care Costs	14,632	804	-	15,436	-
Business-Type Activities Long-Term Liabilities	\$ 766,638	70,953	(87,521)	750,070	34,641

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

Long-term liability activity for the major enterprise funds for the year ended August 31, 2012, was as follows (in thousands of dollars):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lincoln Wastewater System:					
Bonds Payable:					
Wastewater Revenue Bonds	\$ 75,625	38,290	(43,225)	70,690	3,120
Wastewater Loan Payable	6,991	7,171	(258)	13,904	368
Deferred for Issuance Premiums	1,608	3,841	(1,437)	4,012	-
Deferred for Issuance Discounts	(10)	-	-	(10)	-
Deferred for Refunding	-	(1,000)	15	(985)	-
Net Bonds Payable	<u>84,214</u>	<u>48,302</u>	<u>(44,905)</u>	<u>87,611</u>	<u>3,488</u>
Other Liabilities:					
Compensated Absences	559	372	(365)	566	354
Construction Contracts	3,794	1,654	(1,997)	3,451	3,333
Net OPEB Obligation	138	24	-	162	-
Total Long-Term Liabilities	<u>\$ 88,705</u>	<u>50,352</u>	<u>(47,267)</u>	<u>91,790</u>	<u>7,175</u>
Lincoln Water System:					
Bonds Payable:					
Water Revenue Bonds	\$ 63,920	10,895	(17,290)	57,525	3,360
Water Loan Payable	-	2,628	-	2,628	-
Deferred for Issuance Premiums	1,508	1,094	(497)	2,105	-
Deferred for Issuance Discounts	(34)	-	1	(33)	-
Deferred for Refunding	(130)	23	129	22	-
Net Bonds Payable	<u>65,264</u>	<u>14,640</u>	<u>(17,657)</u>	<u>62,247</u>	<u>3,360</u>
Other Liabilities:					
Compensated Absences	824	404	(428)	800	428
Construction Contracts	2,363	1,755	(2,169)	1,949	1,759
Net OPEB Obligation	196	39	-	235	-
Total Long-Term Liabilities	<u>\$ 68,647</u>	<u>16,838</u>	<u>(20,254)</u>	<u>65,231</u>	<u>5,547</u>
Lincoln Electric System:					
Bonds Payable:					
Electric System Revenue Bonds	\$ 566,230	-	(18,680)	547,550	19,610
Deferred for Issuance Premiums	10,450	-	(1,776)	8,674	-
Deferred for Issuance Discounts	(8,754)	-	1,774	(6,980)	-
Deferred for Refunding	(1,642)	-	290	(1,352)	-
Net Bonds Payable	<u>566,284</u>	<u>-</u>	<u>(18,392)</u>	<u>547,892</u>	<u>19,610</u>
Other Liabilities:					
Claims and Judgements	-	941	-	941	559
Total Long-Term Liabilities	<u>\$ 566,284</u>	<u>941</u>	<u>(18,392)</u>	<u>548,833</u>	<u>20,169</u>

DEVELOPER PURCHASED TAX INCREMENT FINANCING NOTES AND BONDS

At August 31, 2012, \$3,520,755 of developer purchased tax increment financing notes and bonds were outstanding. Developer purchased tax increment financing allows the City to create special districts to enable public/private improvements within those districts that will generate public/private-sector development. For a period of 15 years, the tax base is frozen at the predevelopment level, and taxes generated from the incremental increases in assessed value are remitted to the developer. The agreements between the City and developer expressly limit the City's commitment for debt repayment to the incremental tax collected during the 15-year period. At the end of the 15-year period, the tax jurisdiction

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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.

(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, 2012, 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	\$ 7,347,437	(4,654,384)
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.	(832,851)	(51,600)
Perspective differences occur when the structure used for budgeting differs from the fund structure used for financial reporting.	(339,439)	-
Amount budgeted on a project basis.	-	<u>24,290,239</u>
Balance on a budget basis	<u>\$ 6,175,147</u>	<u>19,584,255</u>

(11) DEFICIT NET ASSETS

The following funds had a net asset or fund balance deficit as of August 31, 2012:

Special Revenue - Impact Fees Fund	\$ (191,814)
Enterprise – Pinnacle Bank Arena Fund	(18,851)
Internal Service - Engineering Revolving Fund	(449,739)
Internal Service - Communication Services Fund	(12,913)

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

The Pinnacle Bank Arena Fund was recently created to manage the operation of a new Arena scheduled to open in 2013. The Fund is yet to receive any revenue.

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

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

(12) EXCESSES OF EXPENDITURES OVER APPROPRIATIONS

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

General Fund	
Street Lighting	\$ 2,048,947
Debt Service	52,667

(13) EMPLOYEES' RETIREMENT PLANS

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

POLICE AND FIRE PENSION

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

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

Membership of the pension plan consisted of the following at August 31, 2012, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	438
Terminated plan members entitled to but not yet receiving benefits	26
Active plan members (non-DROP)	559
DROP members	49
Total	<u>1,072</u>
Number of participating employers	<u>1</u>

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Funding Policy – The contribution requirements of plan members and the City are established by City Ordinance #15728 dated September 24, 1990, and may be amended by the City Council. Plan members are required to contribute between 7% and 8% of their annual covered salary based on an election made by the employee. The City is required to contribute at an actuarially determined rate; the rate for fiscal year 2012 was 15.62% of annual covered payroll. Actual contributions by the City were 16.67% of annual covered payroll. Administrative costs of PFDP are financed through investment earnings.

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

(Dollar amounts in thousands)

Annual required contribution	\$ 5,574
Interest on net pension obligation	282
Adjustment to annual required contribution	(445)
Annual pension cost	5,411
Contributions made	(6,052)
Decrease in net pension obligation	(641)
Net pension obligation beginning	3,757
Net pension obligation ending	\$ 3,116

Three-Year Trend Information
(Dollar amounts in thousands)

Year Ended August 31	Annual Pension Cost (APC)	Annual Pension Contribution	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 5,411	\$ 6,052	112 %	\$ 3,116
2011	4,495	4,334	96	3,757
2010	3,576	3,963	111	3,596

Actuarial Methods and Assumptions – The annual required contribution for the current year was determined as part of the August 31, 2010, actuarial valuation using the entry age actuarial funding method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 4.25 to 8.25% per year, including wage inflation at 4.25%, and (c) the assumption that benefits will not increase after retirement. The actuarial value of assets was determined using a five year smoothed market method. The unfunded actuarial accrued liability is being amortized as a level percentage of payrolls on an open basis over a period of thirty years.

Funded Status and Funding Progress – As of August 31, 2012, the most recent actuarial valuation date, the plan was 77 percent funded. The actuarial accrued liability for benefits was \$214,879,000, and the actuarial value of assets was \$164,500,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$50,379,000. The covered payroll (annual payroll of active employees covered by the plan) was \$36,311,000, and the ratio of the UAAL to the covered payroll was 138.7 percent.

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

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ELECTRIC SYSTEM

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

LES has a defined contribution retirement plan created in accordance with Internal Revenue Code Section 401(K) covering all employees upon employment; however, employees are not eligible to receive employer contributions until they have been employed six months. The plan is a straight-money purchase plan, with plan assets held, managed and administered by a trustee. The LES administrative board of directors authorized this plan and related contribution requirements. LES' contribution is equal to 200% of the employees' contributions, up to 5% of gross wages for employees hired prior to 1/1/11. For employees hired after 1/1/11, LES' contribution is equal to 100% of employee's contributions up to 10% of gross wages. Vesting of LES contributions occurs over a five-year period. Employee forfeitures are used to reduce employer contributions. Vested benefits are fully funded. For the year ended December 31, 2011, LES incurred contribution expense of approximately \$3,416,000 or 9.41% of covered payroll and its employees contributed approximately \$2,312,000 or 6.37% of covered payroll.

DEPARTMENT DIRECTORS

Directors of City departments are eligible the first of the month following the date employed to be covered by the Director's Money Purchase Plan, established by City Ordinance, and administered by an insurance company. The Plan is a defined contribution plan requiring contributions determined by the employees' date of hire. The City contributes 6% to 12% and the employee contributes 0% to 6% of earned income in one calendar year. Employees covered by the Plan may also make voluntary contributions. Participant accounts are immediately 100% vested. Total and covered payroll for the year ended December 31, 2011, was \$1,766,310. City contributions totaled \$206,579 or 11.7% of covered payroll. There were no employee contributions made for the year ended December 31, 2011.

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, 2011, total payroll was approximately \$80,170,000 and covered payroll was approximately \$71,464,000. City contributions totaled \$8,217,613 or 11.50% of covered payroll and employee contributions totaled \$4,110,263 or 5.75% of covered payroll. Employees made \$53,604 in voluntary contributions for the year ended December 31, 2011.

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(14) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

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

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

The net OPEB obligation as of August 31, 2012, was calculated as follows:

(Dollar amounts in thousands)

Annual required contribution	\$ 3,098
Interest on net OPEB obligation	178
Adjustment to annual required contribution	<u>(243)</u>
Annual OPEB cost	3,033
Contributions made	<u>(705)</u>
Increase in net OPEB obligation	2,328
Net OPEB obligation beginning	<u>3,955</u>
Net OPEB obligation ending	<u><u>\$ 6,283</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB costs contributed and the net OPEB obligation are as follows:

Year Ended <u>August 31</u>	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 3,033,000	23.2 %	\$ 6,283,000
2011	2,078,000	25.2	3,955,000
2010	2,097,000	25.1	2,401,000

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about

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the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the September 1, 2011 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% discount rate and an annual healthcare cost trend rate of 9.0% initially, reduced by decrements to an ultimate rate of 5.8% for 2020 and beyond. The general inflation rate used for derivation of these calculations is 2.5%. Participation assumptions include 60% of eligible civilian members and 40% of eligible Fire/Police members electing coverage, with 30% and 20% participation assumed for civilian and Fire/Police spouses, respectively. The plan's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over a period of thirty years.

PEHP – Defined Contribution Plan

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

Terms for eligibility and contribution rates are specified in the City's various collective bargaining agreements. Individual employee accounts consist of employer contributions, investment returns and any forfeiture allocations. Current employer contributions range from \$18-\$50 per pay period based on union contracts. Current year contributions totaled approximately \$1,274,000.

(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 2011 tax levy, for the 2011-2012 fiscal year, was \$100,174,806 below the legal limit, with a tax rate per \$100 valuation of \$0.3158. The assessed value upon which the 2011 levy was based was \$15,900,828,813.

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 2011-2012 are recorded as revenue in the fund financial statements when expected to be collected within 60 days after August 31, 2012. Prior-year levies were recorded using these same principles, and remaining receivables are re-evaluated annually. Property taxes expected to be collected after 60 days are recorded as deferred revenue on the fund balance sheets.

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

(16) RISK MANAGEMENT

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

For the year ended August 31, 2012, the City had a self-insured retention for workers' compensation exposures up to \$800,000 per individual; law enforcement liability, general liability, public officials liability, public transportation liability, medical professional liability, and auto liability exposures up to \$250,000 per occurrence; building and contents property exposures up to \$50,000 per occurrence; health care benefits with \$150,000 unlimited stop loss; dental benefits; and employee long-term disability benefits.

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

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

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

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

The City funds its self-insurance program on an "incurred loss" basis. The governmental and proprietary funds pay annual premium amounts, based on past experience of incurred losses, to the Insurance Revolving Fund. Claim liabilities of \$10,303,038 were recorded at August 31, 2012. Excluding medical care claims approximating \$1,688,000, the remaining liability is the actuarially estimated amount of claims based on an estimate of ultimate incurred and incurred but not reported losses as of that date and is calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs, and other economic and social factors. The claims liability estimate also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of their allocation to specific claims. These liabilities have been discounted using a .35% 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, 2012 and 2011:

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

<u>2011</u>	Worker's Compensation and Others	Long-Term Disability	Health and Dental	Total
Balance at September 1	\$ 6,590,000	896,183	1,227,887	8,714,070
Current year claims and changes in estimates	2,977,000	230,886	22,315,628	25,523,514
Claims payments	(2,717,000)	(97,272)	(20,634,356)	(23,448,628)
Balance at August 31	<u>\$ 6,850,000</u>	<u>1,029,797</u>	<u>2,909,159</u>	<u>10,788,956</u>

LINCOLN ELECTRIC SYSTEM

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

	<u>2011</u>	<u>2010</u>
Balance beginning of year	\$ 604,000	664,000
Claims accrued	6,253,000	6,193,000
Claims paid/other	(5,916,000)	(6,253,000)
Balance end of year	<u>\$ 941,000 *</u>	<u>604,000</u>

* Beginning in 2011 this value includes \$382,000 statutory reserve.

(17) COMMITMENTS AND CONTINGENCIES

GENERAL

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

At August 31, 2012, approximately 96% of the full-time, regular City's employees are represented by a Union. The existing union contracts expired in August 2012. All future labor contracts involving City employees will be negotiated to cover, at a minimum, a two-year period coinciding with the new biennial budget process.

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

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

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

The City has entered into various agreements with developers to build infrastructure for new developments. These commitments are included in the City's current 6-year capital improvement program or depending on when the commitment is due, will be included in the City's future capital improvement program. As of August 31, 2012, the City's commitment to developers is estimated to be approximately \$55,000,000.

STREET CONSTRUCTION PROJECTS

The City's Street Construction Fund has commitments under major construction contracts in progress of approximately \$4,800,000 as of August 31, 2012, which will be financed primarily through highway user fees, bond proceeds, federal and state grants, and developer contributions.

WEST HAYMARKET JOINT PUBLIC AGENCY

The West Haymarket JPA Fund has commitments under major construction contracts in progress of approximately \$135,000,000 as of August 31, 2012.

PARKING FACILITIES

The Lincoln Parking System has commitments under major contracts in progress of approximately \$1,200,000 as of August 31, 2012.

LINCOLN WASTEWATER SYSTEM

The Lincoln Wastewater System has commitments under major construction contracts in progress of approximately \$1,700,000 as of August 31, 2012.

LINCOLN WATER SYSTEM

The Lincoln Water System has commitments under major construction contracts in progress of approximately \$3,600,000 as of August 31, 2012.

LINCOLN ELECTRIC SYSTEM

Participation Contracts with NPPD

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

LES is responsible for its respective participating interests in the two facilities' capital additions and improvements. LES's share of debt service payments necessary to retire the respective participating interests of principal and interest on bonds issued by NPPD for the facilities was approximately \$6,800,000 in 2011. 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 ASC 980. Fixed cost payments under the agreements are on a participation basis whether or not such plants are operating or operable. LES recognized expense for its share of the total fixed costs of approximately \$11,400,000 in 2011.

The participation contracts continue until the facilities are removed from commercial operation or the final maturity occurs on the related debt incurred by NPPD to finance the facilities, whichever occurs last. The

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estimated fixed cost payments to NPPD under these contracts, including capital additions and improvements, debt service payments and fixed costs, and credits aggregate approximately \$19,400,000, \$25,100,000, \$24,200,000, \$21,600,000, and \$22,100,000, respectively, in each of the five years subsequent to December 31, 2011.

Laramie River Station (LRS)

LES is a 12.76 percent co-owner of the Missouri Basin Power Project, which includes LRS, a three-unit, 1,650 MW coal-fired generating station in eastern Wyoming and a related transmission system. Costs, net of accumulated depreciation, associated with LRS of approximately \$19,400,000 are reflected in utility plant at December 31, 2011.

LES has a participation power sales agreement with the County of Los Alamos, New Mexico (the County) whereby the County purchases from LES 10 MW of LES's capacity interest in LRS. The agreement provides for the County to pay LES monthly fixed payments for the repayment of debt service. The amount is subject to change each July 1 based on debt costs of LES relative to the current market rates, until termination of the agreement. The agreement remains in effect until either the final maturity occurs on any LRS related debt, LRS is removed from commercial operation, or the County gives LES six-months notice to terminate the agreement. During 2011, LES billed the County approximately \$3,100,000 for demand and energy charges.

The LRS project participants, including LES, filed a rate case in 2004 with the federal Surface Transportation Board (STB) challenging the reasonableness of the freight rates from the Burlington Northern Santa Fe (BNSF) railroad for coal deliveries to LRS. In early 2009 the STB issued its decision and awarded the LRS project participants a favorable decision estimated by the STB at approximately \$345 million in rate relief. The STB awarded \$119 million to the LRS participants for past freight overcharges plus an expectation of present value rate benefits of approximately \$245 million due to a new tariff the STB ordered to be charged through 2024. BNSF remitted \$15,000,000 to LES, which has been escrowed pending an appeal filed by BNSF.

Walter Scott Energy Center (WS4)

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

(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 assets date.

At August 31, 2012, the City had incurred a liability of approximately \$10,534,000 for the municipal solid waste landfill which represents the amount of costs reported to date based on the approximately 50 percent of landfill capacity used to date. The remaining estimated liability for these costs is approximately \$10.4

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million, which will be recognized as the remaining capacity is used (estimated to be approximately 25 years).

As of August 31, 2012, the City had incurred a liability of approximately \$500,000 for the construction and demolition debris landfill which represents the amount of costs reported to date based on the approximately 50 percent of landfill capacity used to date. The remaining estimated liability for these costs is approximately \$494,000, which will be recognized as the remaining capacity is used (estimated to be approximately 18 years).

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

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

The City of Lincoln also owns a solid waste disposal area that discontinued operations in 1990. Although exempt from the U.S. Environmental Protection Agency *Solid Waste Disposal Facility Criteria* issued October 9, 1991, the City must still adhere to certain closure and postclosure care requirements under prior legislation, including the construction of final cover, monitoring of ground water conditions and landfill gas migration, and general site maintenance. At August 31, 2012, a liability for closure and postclosure care costs is recorded in the amount of approximately \$4,402,000, which is based on appropriations identified in the City's capital improvement projects budgeting process. If any unanticipated corrective action costs related to landfill gas migration or groundwater contamination are identified through current monitoring procedures, then an additional accrued liability will be recorded once these costs can be reasonably estimated.

(19) FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by Lincoln Water System and Lincoln Wastewater System to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash, accounts receivable and accounts payable – The carrying amount approximates fair value because of the short maturity of these instruments.

Long-term debt – The estimated fair value of the long-term debt is approximately \$75,388,000 for the Water System and \$134,953,000 for the Wastewater System based on borrowing rates currently available as of August 31, 2012.

Investments – The fair values of investments held directly by the funds are based on quoted market prices.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(20) SEGMENT INFORMATION

The City has issued revenue bonds and other debt instruments to finance capital construction and acquisitions for both the Urban Development and Public Works/Utilities Departments. The Parking Facilities Division of the Urban Development Department operates the City's downtown parking garages and is accounted for in the Parking Facilities Fund. The Solid Waste Operations Section of the Public Works/Utilities Department operates the City's solid waste disposal sites, yard waste composting facility,

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and re-cycling drop-off program. Summary financial information for these divisions as of and for the year ended August 31, 2012, is presented as follows:

	<u>Parking Facilities</u>	<u>Solid Waste Management</u>
CONDENSED STATEMENT OF NET ASSETS		
Assets:		
Current Assets, excluding Due from Other Funds	\$ 2,721,831	3,173,547
Due from Other Funds	230,920	89,391
Other Assets	7,480,898	2,348,852
Capital Assets	<u>52,834,315</u>	<u>22,430,829</u>
Total Assets	<u>63,267,964</u>	<u>28,042,619</u>
Liabilities:		
Current Liabilities, excluding Due to Other Funds	2,603,884	687,069
Due to Other Funds	12,848	3,492
Noncurrent Liabilities	<u>21,991,755</u>	<u>18,107,985</u>
Total Liabilities	<u>24,608,487</u>	<u>18,798,546</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	31,830,657	19,912,011
Restricted	2,484,212	15,233
Unrestricted	<u>4,344,608</u>	<u>(10,683,171)</u>
Total Net Assets	<u>\$ 38,659,477</u>	<u>9,244,073</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS		
Operating Revenues	\$ 7,353,847	5,693,728
Depreciation Expense	(1,208,227)	(1,924,210)
Other Operating Expenses	<u>(3,823,131)</u>	<u>(6,066,290)</u>
Operating Income (Loss)	2,322,489	(2,296,772)
Nonoperating Revenues (Expenses):		
Investment Earnings	28,254	3,222
Gain (Loss) on Disposal of Capital Assets	(9,824)	36,632
Insurance Recovery	-	5,587
Occupation Tax	-	2,048,615
Interest Expense and Fiscal Charges	(570,054)	(127,103)
Capital Contributions	1,722,988	-
Transfers	<u>(577,058)</u>	<u>(1,113,830)</u>
Change in Net Assets	2,916,795	(1,443,649)
Beginning Net Assets	<u>35,742,682</u>	<u>10,687,722</u>
Ending Net Assets	<u>\$ 38,659,477</u>	<u>9,244,073</u>
CONDENSED STATEMENT OF CASH FLOWS		
Net Cash Provided (Used) by:		
Operating Activities	\$ 3,323,152	632,875
Noncapital Financing Activities	(195,917)	1,112,048
Capital and Related Financing Activities	(10,686,300)	(2,650,112)
Investing Activities	<u>5,631,741</u>	<u>303,803</u>
Net Decrease in Cash	(1,927,324)	(601,386)
Beginning Balance	<u>4,962,115</u>	<u>907,088</u>
Ending Balance	<u>\$ 3,034,791</u>	<u>305,702</u>

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(21) 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 \$90,991,895 in wastewater revenue bonds and loans. Proceeds provided financing for improvements to the sanitary sewer system, as well as refunding prior year debt. The debt is payable solely from the net earnings of the Wastewater System and is payable through 2034. The total principal and interest remaining to be paid on the debt is \$116,861,491, with annual payments expected to require 53 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$6,793,014 and \$12,835,302, respectively.

The City has pledged future revenues derived from the operation of the Lincoln Water System, net of operating and maintenance expenses, to repay \$68,943,391 in water revenue bonds and loans. Proceeds from the debt provided financing for improvements to the water supply system, as well as refunding prior water revenue bonds. The bonds are payable solely from the net earnings of the Water System and are payable through 2034. The total principal and interest remaining to be paid on the debt is \$82,597,505, with annual payments expected to require 41 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$8,335,202 and \$20,348,397, respectively.

The City has pledged future revenues derived from the operation of the Lincoln Electric System, net of operating, maintenance and certain power expenses, to repay \$654,580,000 in electric revenue bonds. Proceeds from the bonds provided financing for construction of additional utility plant, as well as refunding certain issues of electric revenue bonds. The bonds are payable solely from the net earnings of the Electric System and are payable through 2037. The total principal and interest remaining to be paid on the bonds is \$903,568,000, with annual payments expected to require 51 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$46,116,000 and \$92,280,000, 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 \$26,585,000 in parking revenue bonds. Proceeds from the bonds provided financing for construction and improvements to the parking system, as well as refunding \$5,525,000 of Series 1994A parking revenue bonds. The bonds are payable solely from the net earnings of the Parking System and are payable through 2031. The total principal and interest remaining to be paid on the bonds is \$35,735,095, with annual payments expected to require 46 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$1,938,688 and \$3,558,970, 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 \$4,000,000 in solid waste management revenue bonds. Proceeds from the bonds provided financing for improvements to the solid waste facilities. The bonds are payable solely from the net earnings of the Solid Waste System and are payable through 2021. The total principal and interest remaining to be paid on the bonds is \$3,475,863, with annual payments expected to require 24 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$344,025 and \$1,369,445 respectively.

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(22) 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, 2012, the City made rental payments of approximately \$2.8 million to the Commission.

As of August 31, 2012, the Commission has bonds outstanding of \$38,635,000 attributable to several bond issues. Certain proceeds from the bonds totaling \$28,945,000 have been utilized by the Commission to acquire, construct, and/or renovate certain buildings occupied by the City and County. The City's proportionate share of such buildings are recorded as capital assets and the corresponding debt are reflected as capital leases in the City's financial statements. Lease payments are not recorded as capital lease payments in the Debt Service funds but rather are recorded as current expenditures in the various individual funds.

Additional bond proceeds, totaling \$29,000,000, have been utilized by the Commission to construct a new County-City building and to renovate the prior County-City building to be used as a Hall of Justice. It is anticipated that property tax levies by the Commission will be sufficient to meet bond principal and interest payments. Should revenues from such property tax levies not be sufficient to meet debt service requirements in any given year, the City and County would contribute the necessary payments based on their proportionate occupancy in such buildings. Such contributions are expected to be minimal and will be expensed in the appropriate funds when incurred. The City's proportionate share of the buildings has been recorded in capital assets in accordance with the terms of the joint venture agreement regarding the ultimate transfer of assets to the City and County.

In 2012, the Commission recorded a note payable of \$1,670,000. The note is secured through assignment of the lease on the building purchased with the proceeds. The City's proportionate share of the building has been recorded in capital assets in accordance with the terms of the joint venture agreement regarding the ultimate transfer of assets to the City and County.

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

(23) JOINT ANTELOPE VALLEY AUTHORITY

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

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2012

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

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

For the year ended August 31, 2012, total assets of JAVA reached approximately \$199 million, an increase of \$10 million from the prior year. The City's equity interest increased by approximately \$9.7 million to \$169 million.

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

(24) JOINTLY GOVERNED ORGANIZATIONS

District Energy Corporation

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

The DEC Board of Directors, under a management agreement, has appointed LES to supervise and manage the system and business affairs of DEC. LES is reimbursed for these management services based on the allocated actual costs of these services. LES also provides electric energy to DEC on an established rate schedule. The total amount of payments to LES for management, operations, and maintenance services was approximately \$811,000 in 2011. The total amount of payments to LES for energy was approximately \$129,000 in 2011.

Nebraska Utility Corporation

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

Operations commenced in January 2002. The NUCorp board of directors, under a twenty-year management agreement, appointed LES to supervise and manage the system and business affairs of NUCorp. LES is reimbursed for these management services based on the allocated actual costs of these services. LES also provides electric energy to NUCorp on an established rate schedule. The total payment to LES for management services was approximately \$119,000 in 2011. The total amount of payments to LES for energy was approximately \$9 million in 2011.

(25) SUBSEQUENT EVENTS

In August 2012, Lincoln Electric System issued \$277,315,000 in Revenue and Refunding Bonds, Series 2012, to provide funds for the payment and redemption of certain outstanding 2002, 2003, and 2005 bonds, a portion of LES' outstanding commercial paper notes, as well as to reimburse LES for prior capital improvements. Interest rates range from 1.000 to 5.000 percent. Debt service principal payments are

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
August 31, 2012

scheduled annually on the serial bonds at amounts that range from \$10,970,000 to \$20,230,000, with \$30,165,000 of term bonds due in 2037.

In October 2012, the City issued \$10,000,000 of Certificates of Participation, Series 2012, to provide funds for street light improvements, communication equipment, and remodeling, renovation, equipping and furnishing the Municipal Services Center. The interest rate is 3.000 percent and the final maturity is June 2027. Debt service principal payments are scheduled annually at amounts that range from \$480,000 to \$1,270,000.

In December 2012, the City issued \$12,080,000 of Parking Revenue and Refunding Bonds, Series 2012, to provide funds for the payment and redemption of the outstanding 2001 Parking Bonds, and to pay a portion of the costs of constructing a new Haymarket parking garage. The interest rates on the bonds range from .400 to 4.000 percent and the final maturity is August 2032. Debt service principal payments are scheduled annually at amounts that range from \$435,000 to \$810,000.

CITY OF LINCOLN, NEBRASKA
Required Supplementary Information
August 31, 2012

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
August 31, 2012	\$ 164,500	\$ 214,879	\$ 50,379	76.6 %	\$ 36,311	138.7 %
August 31, 2011	165,436	204,990	39,554	80.7	35,763	110.6
August 31, 2010	172,317	195,206	22,889	88.3	34,233	66.9
August 31, 2009	177,526	187,292	9,766	94.8	33,450	29.2
August 31, 2008	179,390	179,376	(14)	100.0	32,266	(0.0)
August 31, 2007	171,264	169,587	(1,677)	101.0	30,546	(5.5)

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

Year Ended August 31	Annual Required Contribution	Annual Pension Contribution	Percentage Contributed
2012	\$ 5,574	\$ 6,052	109 %
2011	4,652	4,334	93
2010	3,752	3,963	106
2009	3,316	3,572	108
2008	4,076	3,456	85
2007	4,056	3,494	86

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

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

APPENDIX C

**WEST HAYMARKET JOINT PUBLIC AGENCY
ACCOUNTANT'S REPORT AND AUDITED FINANCIAL STATEMENTS**

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West Haymarket Joint Public Agency

(A Component Unit of the City of Lincoln, Nebraska)
Accountants' Report and Financial Statements

August 31, 2012



West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
August 31, 2012

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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Representatives
West Haymarket Joint Public Agency
Lincoln, Nebraska

We have audited the accompanying financial statements of the governmental activities and the major fund of the West Haymarket Joint Public Agency (the Agency) (a component unit of the City of Lincoln, Nebraska) as of and for the year ended August 31, 2012, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of West Haymarket Joint Public Agency, as of August 31, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

BKD, LLP

February 4, 2013

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Management's Discussion and Analysis
August 31, 2012

As management of the West Haymarket Joint Public Agency (the Agency), we offer readers of the Agency's basic financial statements this narrative and analysis of the financial activities of the Agency as of and for the year ended August 31, 2012. We encourage readers to consider the information presented here in conjunction with additional information provided in the basic financial statements.

The West Haymarket Joint Public Agency was organized as a joint public agency on April 2, 2010, created by a Joint Public Agency Agreement entered into between the City of Lincoln, Nebraska and the Board of Regents of the University of Nebraska. The Agency is a component unit of the City of Lincoln, Nebraska.

Overview of Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.

Government-Wide Financial Statements

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

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

The statement of activities presents information showing how the Agency's net assets changed during the year. All changes in net assets 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 result in cash flow changes only in future fiscal periods.

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 Agency, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The Agency maintains one governmental fund - the Project Fund.

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Management's Discussion and Analysis
August 31, 2012

Fund Financial Statements - Continued

The Agency is not required by the Nebraska State Budget Act to adopt an annual budget, therefore, a budgetary comparison has not been provided in the basic financial statements. The significant expenditures to be made by the Agency will be for capital purposes, which are not appropriated on an annual basis.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Agency's financial position. In the case of the West Haymarket Joint Public Agency, as of August 31, 2012, net assets were \$12,653,721. The Agency's condensed financial information as of August 31, 2012 and 2011 is found below.

Condensed Statement of Net Assets

	2012	2011
Assets		
Equity in pooled cash and investments	\$ 38,277,666	\$ 123,470,657
Investments	126,448,862	105,940,874
Capital assets	167,809,904	80,856,914
Other	8,136,351	8,006,884
Total assets	340,672,783	318,275,329
Liabilities		
Other liabilities	23,349,202	8,783,137
Long-term liabilities	304,669,860	304,669,860
Total liabilities	328,019,062	313,452,997
Net Assets		
Invested in capital assets, net of related debt	6,712,581	1,712,581
Restricted for improvements	1,000,000	-
Restricted by enabling legislation	4,941,140	3,109,751
Total net assets	\$ 12,653,721	\$ 4,822,332

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Management's Discussion and Analysis
August 31, 2012

Government-Wide Financial Analysis - Continued

Condensed Statement of Activities

	2012	2011
Revenues		
Occupation taxes	\$ 12,913,394	\$ 7,653,744
Intergovernmental	3,900,278	3,289,725
Investment income	573,396	944,303
Miscellaneous	14,225	-
Total revenues	17,401,293	11,887,772
Expenses		
General government	757,446	454,329
Interest	15,119,886	9,016,304
Total expenses	15,877,332	9,470,633
Capital Contributions	6,307,428	809,449
Increase in Net Assets	7,831,389	3,226,588
Net Assets		
Beginning of period	4,822,332	1,595,744
End of period	\$ 12,653,721	\$ 4,822,332

Capital Assets

The Agency's investment in capital assets as of August 31, 2012 amounts to \$167,809,904.

Major capital asset expenditures during the fiscal year included the following:

- Arena design and construction of approximately \$64,000,000
- Land purchases of approximately \$9,600,000
- Road and utility work of approximately \$5,400,000
- Environmental remediation of approximately \$1,700,000

Additional information on the Agency's capital assets can be found in the notes to the financial statements.

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Management's Discussion and Analysis
August 31, 2012

Debt Administration

At August 31, 2012, the Agency had total bonded debt outstanding of \$300,000,000 being used to fund a portion of the Agency's construction costs. Additional information on the Agency's debt can be found in the notes to the financial statements.

Occupation Taxes

Beginning January 1, 2011, occupation taxes were imposed within the City of Lincoln at a rate of 2% on bar and restaurant revenues and a rate of 4% on car rental and hotel revenues. This tax revenue is generated to finance the activities of the Agency and is pledged to repayment of any outstanding Agency bonds.

Financial Analysis of the Agency's Funds

The Agency has one governmental fund, the Project Fund. The Project Fund is considered a major fund and is used to account for the Agency's general operations, construction, and debt activities. Activity during the year ended August 31, 2012, resulted in a fund surplus of \$78,241,451, resulting in a total fund balance at August 31, 2012 of \$147,191,453. 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 operating.

Request for Information

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the Agency. 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.

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Governmental Fund Balance Sheet / Statement of Net Assets
August 31, 2012

	Project Fund	Adjustments (Note 1)	Statement of Net Assets
Assets			
Equity in pooled cash and investments	\$ 38,277,666	\$ -	\$ 38,277,666
Investments	126,448,862	-	126,448,862
Occupation taxes receivable	1,236,093	-	1,236,093
Accounts receivable	17,304	-	17,304
Interest receivable	338,149	-	338,149
Due from other funds	1,044,032	-	1,044,032
Due from other governments	893,503	-	893,503
Deferred charges	-	4,578,456	4,578,456
Capital assets, net of accumulated depreciation of \$134,144	-	167,809,904	167,809,904
Other	28,814	-	28,814
Total assets	<u>168,284,423</u>	<u>172,388,360</u>	<u>340,672,783</u>
Liabilities			
Accounts payable	13,896,339	-	13,896,339
Retainages payable	3,798,733	-	3,798,733
Interest payable	-	3,149,735	3,149,735
Due to other funds	12,987	-	12,987
Good faith deposit	165,000	-	165,000
Unearned revenue	2,326,408	-	2,326,408
Deferred revenue	893,503	(893,503)	-
Long-term liabilities	-	304,669,860	304,669,860
Total liabilities	<u>21,092,970</u>	<u>306,926,092</u>	<u>328,019,062</u>
Fund Balance/Net Assets			
Fund balance			
Nonspendable	28,814	(28,814)	-
Restricted for capital projects	135,151,772	(135,151,772)	-
Restricted by enabling legislation	12,010,867	(12,010,867)	-
Total fund balance	<u>147,191,453</u>	<u>(147,191,453)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 168,284,423</u>		
Net assets			
Invested in capital assets, net of related debt		6,712,581	6,712,581
Restricted for improvements		1,000,000	1,238,637
Restricted by enabling legislation		4,941,140	4,702,503
Total net assets		<u>\$ 12,653,721</u>	<u>\$ 12,653,721</u>

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Statement of Governmental Fund Revenues, Expenditures and
Changes in Fund Balance / Statement of Activities
Year ended August 31, 2012

	Project Fund	Adjustments (Note 1)	Statement of Activities
Revenues			
Occupation taxes	\$ 12,913,394	\$ -	\$ 12,913,394
Intergovernmental	3,900,278	-	3,900,278
Investment income	573,396	-	573,396
Miscellaneous	14,225	-	14,225
Total revenues	<u>17,401,293</u>	<u>-</u>	<u>17,401,293</u>
Expenditures/Expenses			
General government	623,303	134,143	757,446
Debt service	14,239,734	880,152	15,119,886
Capital outlay	87,087,135	(87,087,135)	-
Total expenditures/expenses	<u>101,950,172</u>	<u>(86,072,840)</u>	<u>15,877,332</u>
Capital Contributions			
	<u>6,307,428</u>	<u>-</u>	<u>6,307,428</u>
Excess of revenues and other financing sources over expenditures	(78,241,451)	78,241,451	-
Change in Net Assets	-	7,831,389	7,831,389
Fund Balance/Net Assets			
Beginning of Year	<u>225,432,904</u>	<u>(220,610,572)</u>	<u>4,822,332</u>
End of Year	<u>\$ 147,191,453</u>	<u>\$ (134,537,732)</u>	<u>\$ 12,653,721</u>

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2012

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The West Haymarket Joint Public Agency (the Agency) was organized as a joint public agency under the Nebraska Joint Public Agency Act on April 2, 2010, to facilitate land acquisition, relocation of existing businesses, environmental remediation, site preparation and the construction, equipping, furnishing and financing of public facilities including, but not limited to, a sports/entertainment arena, roads, streets, sidewalks, a pedestrian overpass, public plaza space, sanitary sewer mains, water mains, electric transmission lines, drainage systems, flood control, parking garages and surface parking lots (collectively considered the West Haymarket Development Project or Project) for the benefit of residents of the City of Lincoln, Nebraska (the City). The Agency was created pursuant to a Joint Public Agency Agreement entered into between the City and the Board of Regents of the University of Nebraska.

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these basic financial statements present the financial activities of the Agency. The Agency follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining the governmental activities, organizations, and functions that should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The Agency is not financially accountable for any other organization. Under current GASB pronouncements, the Agency has been determined to be a component unit of the City of Lincoln, Nebraska – the primary government. As such, the Agency's financial results are included in the City of Lincoln, Nebraska's Comprehensive Annual Financial Report.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements (*i.e.*, the statement of net assets and the statement of activities) report information on all of the Agency's financial activities. Governmental activities are normally supported by taxes and intergovernmental revenue which are reported as general revenues.

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2012

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are presented using the total economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, the operating statement presents increases and decreases in net current assets and unreserved fund balance is a measure of available spendable resources. This means that only current liabilities are generally included on the governmental fund balance sheet.

The statement of net assets does not equal the governmental funds balance sheet at August 31, 2012, due to net capital assets, debt issuance costs, and bond principal and interest that are not payable from available spendable resources in the statement of net assets.

Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Measurable means the amount of the transaction can be determined; available means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred and is expected to be paid from available spendable resources.

Occupation taxes and intergovernmental revenues are considered to be susceptible to accrual and are recorded as revenue in the period to which they relate.

Fund Accounting

The accounts of the Agency are organized on the basis of funds. The operations of the Project Fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in the Project Fund based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The major fund presented in the accompanying basic financial statements is the Project Fund. The Project Fund is the Agency's only fund and is used to account for general government operational activities.

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2012

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Fund Accounting - Continued

Private sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Agency has elected not to follow private-sector guidance issued after November 30, 1989.

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

Use of Estimates

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

Deposits and Investments

The Agency participates in a cash management pool managed by the City. The pool consists of bank deposits and investments. Cash balances in excess of current requirements are invested along with cash from other City funds and interest earned on these investments is allocated monthly to the various funds by the City Treasurer on a pro rata basis of using aggregate quarterly balances. The Agency's interest in the pool is shown as equity in pooled cash and investments in the statement of net assets. Fair value of the equity in the pool is the same as the value of the pool shares determined using the fair value of the pool's underlying investment portfolio.

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

U.S. Agency obligations are carried at fair value as determined based on quoted market price.

Investment income includes interest income and the net change for the year in the fair value of investments carried at fair value.

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2012

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Occupation Taxes

Beginning January 1, 2011, occupation taxes were imposed within the City of Lincoln at a rate of 2% on bar and restaurant revenues and a rate of 4% on car rental and hotel revenues. As stated in the related ordinance, occupation taxes, less any administrative expenses, shall be used to fund expenditures of the Agency.

Deferred Charges

Deferred charges are comprised of debt issuance costs. The issuance costs are amortized over the term of the related debt using the bonds-outstanding method. No amortization was recognized in 2012.

Capital Assets

Arena and infrastructure planning, design and construction costs are capitalized on the government-wide financial statements. At August 31, 2012, certain infrastructure assets were in-service, and were being depreciated on a straight-line basis over their estimated useful lives of 25-40 years.

Fund Balances

Fund balances are shown only in the governmental fund financial statements. Nonspendable fund balance reflects amounts that are not in spendable form. 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.

Net Assets

Net assets are required to be classified into three components - invested in capital assets, net of related debt, restricted and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net assets 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. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to the unspent proceeds is not included in the calculation of invested capital assets, net of related debt.

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2012

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Net Assets - Continued

Restricted - This component of net assets consists of restrictions placed on net assets use through external constraints imposed by creditors (such as through debt covenants), contributors or law or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Adjustments Column

The adjustments column on the governmental fund balance sheet/statement of net assets represents the recording of capital assets and certain liabilities as required by GASB Statement No. 34.

The adjustments on the governmental fund balance sheet/statement of net assets is comprised of the following as of August 31, 2012:

Amounts reported for the Project Fund are different from the statement of net assets because of:

Deferred charges	\$ 4,578,456
Capital assets	167,809,904
Interest payable	(3,149,735)
Deferred revenue	893,503
Long-term liabilities	<u>(304,669,860)</u>
Total adjustment amount	<u>\$ (134,537,732)</u>

The adjustments column on the statement of governmental fund revenues, expenditures and changes in fund balance/statement of activities is comprised of the following for the year ended August 31, 2012:

Amounts reported for the Project Fund are different from the statement of activities because of:

Repayment of debt, related interest and costs	\$ (880,152)
Capital outlay	87,087,135
Depreciation expense	<u>(134,143)</u>
Total adjustment amount	<u>\$ 86,072,840</u>

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2012

Note 2: Deposits, Investments and Investment Return

Deposits

State statutes require banks either to provide a bond or to pledge government securities to the City Treasurer in the amount of the City's deposits. The Agency has been allocated a portion of the City's pooled cash and investments. Pursuant to legislation enacted in 2010, the Federal Deposit Insurance Corporation (FDIC) will fully insure all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC institutions. For interest-bearing cash accounts, the City's cash deposits, including certificates of deposit, are insured up to \$250,000 by the FDIC. Any cash deposits or certificates of deposit in excess of FDIC limits are covered by collateral held in a Federal Reserve pledge account or by an agent for the City and thus no custodial credit risk exists. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

Investments

The Agency generally follows the investment policy adopted by the City Council and utilized by the City Treasurer. The Agency 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.

At August 31, 2012, the Agency had the following investments, maturities and credit ratings:

Type	August 31, 2012			Credit Ratings Moody's / S&P
	Fair Value	Maturities in Years		
		Less than 1	1-5	
U.S. agency obligations	\$ 126,448,862	\$ 119,246,702	\$ 7,202,160	Aaa / AA+

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency 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 values of a government's financial instruments or a government's cash flows. The Agency has limited its interest rate risk by investing in securities with maturities no longer than twenty-four months.

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2012

Note 2: Deposits, Investments and Investment Return - Continued

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At August 31, 2012, the Agency invested in U.S. Treasury obligations, which are backed by the full faith and credit of the United States Government, and the highest-rated U.S. agency obligations.

Concentration of Credit Risk

Concentration of credit risk is the risk associated with the amount of investments the Agency has with any one issuer that exceeds 5% or more of its total investments. Investments issued or explicitly guaranteed by the U.S. Government are excluded from this requirement. At August 31, 2012, the Agency's investments had the following composition:

	Portfolio Composition
U.S. agency obligations	
Federal Home Loan Bank	36.26 %
Federal National Mortgage Association	18.62
Federal Home Loan Mortgage Corporation	18.33

Summary of Carrying Values

The carrying values of deposits and investments are as follows:

Carrying value	
Investments	\$ 126,448,862
Equity in pooled cash and investments	38,277,666
	\$ 164,726,528

Investment Income

Investment income, consisting of interest income and the unrealized gain on investments, was \$573,396 for the year ended August 31, 2012.

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2012

Note 3: Capital Assets

As of August 31, 2012, the Agency's capital assets consisted of the following:

Depreciable assets	
Infrastructure	<u>\$ 11,765,822</u>
Total depreciable assets	<u>11,765,822</u>
Nondepreciable assets	
Land	70,755,404
Construction in progress	<u>85,422,822</u>
Total nondepreciable assets	<u>156,178,226</u>
Total capital assets	<u><u>\$ 167,944,048</u></u>

Capital asset activity for 2012 was:

	Beginning Balance	Additions	Retirements	Ending Balance
Infrastructure	\$ -	\$ 11,765,822	\$ -	\$ 11,765,822
Land	53,860,512	16,894,892		70,755,404
Construction in progress	<u>26,996,402</u>	<u>58,426,420</u>	-	<u>85,422,822</u>
Total capital assets	80,856,914	87,087,134	-	167,944,048
Less accumulated depreciation	<u>-</u>	<u>(134,144)</u>	-	<u>(134,144)</u>
Capital assets, net	<u><u>\$ 80,856,914</u></u>	<u><u>\$ 86,952,990</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 167,809,904</u></u>

Note 4: Long-term Liabilities

	Beginning Balance September 1, 2011	Additions	Reductions	Ending Balance August 31, 2012
Bonds payable	\$ 300,000,000	\$ -	\$ -	\$ 300,000,000
Unamortized premium on bonds	<u>4,669,859</u>	<u>-</u>	<u>-</u>	<u>4,669,859</u>
	<u><u>\$ 304,669,859</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 304,669,859</u></u>

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2012

Note 4: Long-term Liabilities - Continued

In September 2010, the Agency issued \$100,000,000 in General Obligation Facility Bonds, Taxable Series 2010A. Semi-annual interest payments began in December 2010. Annual principal payments begin in December 2020 at amounts that range from \$2,440,000 to \$5,855,000 with the final maturity in December 2045. The bonds are Build America Bonds and, as such, the Agency has elected to receive a federal subsidy of 35 percent from the United States Department of the Treasury (Treasury) for a portion of the interest payable on the bonds. The interest rates on the bonds range from 3.50 to 5.00 percent prior to the federal subsidy. The federal subsidy reduces the true interest cost to 3.20 percent.

In December 2010, the Agency issued \$67,965,000 in General Obligation Facility Bonds, Taxable Series 2010B. Semi-annual interest payments began in June 2011. Annual principal payments begin in December 2020 at amounts that range from \$2,440,000 to \$4,650,000 with the final maturity in December 2039. The bonds are direct pay Build America Bonds, with a federal subsidy of 35 percent from the Treasury for a portion of the interest payable on the bonds. The interest rates on the bonds range from 4.00 to 6.00 percent prior to the federal subsidy. The federal subsidy reduces the true interest cost to 3.73 percent.

In December 2010, the Agency issued \$32,035,000 in General Obligation Recovery Zone Economic Development Bonds, Taxable Series 2010C. Semi-annual interest payments began in June 2011. Annual principal payments begin in December 2040 at amounts that range from \$4,865,000 to \$5,855,000 with the final maturity in December 2045. The bonds have a federal subsidy of 45 percent from the Treasury for a portion of the interest payable on the bonds. The interest rate on the bonds is 6.75 percent prior to the federal subsidy. The federal subsidy reduces the true interest cost to 3.79 percent.

In August 2011, the Agency issued \$100,000,000 in General Obligation Facility Bonds, Series 2011. Semi-annual interest payments begin in December 2011. Annual principal payments begin in December 2021 at amounts that range from \$3,115,000 to \$6,660,000 with the final maturity in December 2042. The interest rates on the bonds range from 3.50 to 5.00 percent.

All bonds were issued to provide a portion of the funds necessary to pay the costs of constructing, equipping, furnishing, and financing the development of the West Haymarket facilities. The full faith and credit and the taxing powers of the City are pledged for the payment of the principal of and interest on the bonds.

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2012

Note 4: Long-term Liabilities - Continued

Annual requirements to pay principal and interest to maturity on outstanding debt is as follow:

Years Ending August 31	Principal	Interest	Interest Subsidy	Net Interest
2013	\$ -	\$ 15,117,520	\$ (3,900,278)	\$ 11,217,242
2014	-	15,117,520	(3,900,278)	11,217,242
2015	-	15,117,520	(3,900,278)	11,217,242
2016	-	15,117,520	(3,900,278)	11,217,242
2017	-	15,117,520	(3,900,278)	11,217,242
2018-2022	13,015,000	75,137,335	(19,371,052)	55,766,283
2022-2027	44,410,000	67,985,414	(17,834,798)	50,150,616
2028-2032	52,445,000	56,933,304	(15,367,894)	41,565,410
2033-2037	62,955,000	43,266,951	(12,143,848)	31,123,103
2038-2042	76,235,000	25,395,919	(7,989,237)	17,406,682
2043-2046	50,940,000	5,492,775	(2,170,174)	3,322,601
	<u>\$ 300,000,000</u>	<u>\$ 349,799,298</u>	<u>\$ (94,378,393)</u>	<u>\$ 255,420,905</u>

The Series 2010B and 2010C bonds were issued as direct pay Build America Bonds and General Obligation Recovery Zone Economic Development Bonds, respectively, in accordance with the American Recovery and Reinvestment Act of 2009, which allows the Agency to receive a U.S. Treasury subsidy equal to 35% and 45%, respectively, of the amount of interest payable on those bonds.

The interest subsidy is reflected in the table above as the Agency expects to receive these payments throughout the term of the related Bonds. The subsidy is reflected as intergovernmental revenue in the Statement of Activities.

Note 5: Operating Lease

In 2012, the Agency entered into a lease agreement with AMTRAK for the lease and use of West Haymarket Station (“Station”). The lease provides for a thirty-five year term, with the Agency receiving monthly payments of \$2,845, adjusted annually for inflation using the Consumer Price Index. Income from the lease totaled \$14,225 during 2012.

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2012

Note 6: Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Agency carries commercial insurance for risks of loss, including liability, property, errors and omissions, and workers' compensation. Specifically related to the construction of the Arena, the Agency also carries pollution and builders risk insurance. The Agency has had no claims or judgments exceeding the policy limits.

Note 7: Related Party Transactions

The City provides certain administrative services to the Agency for which the Agency pays fees to the City. These fees amounted to approximately \$357,000 for the year ended August 31, 2012. These charges are recorded as general government expenses in the statement of governmental fund revenues, expenditures and changes in fund balance and statement of activities. Engineering services totaling approximately \$211,000 and archaeological testing for certain properties totaling approximately \$25,000 for the year ended August 31, 2012, provided by the City and the University of Nebraska Lincoln, respectively, were capitalized into the project and included in capital assets in the statement of net assets.

The City transferred \$307,428 in funds to the Agency in 2012 to assist in sharing the cost of street lighting for the development area. This is reflected as capital contribution revenue in the Statement of Activities.

As discussed in Note 1, the Agency is invested in the City of Lincoln, Nebraska's pooled cash and investment management system.

Note 8: Commitments

Construction

The Agency has commitments under major construction contracts in progress of approximately \$135,000,000 at August 31, 2012.

Environmental Matters

In connection with the West Haymarket Development Project, the Agency is involved with the clean-up and remediation of several development sites relating to soil and groundwater contamination. This clean-up and remediation is performed as sites are developed, as the Agency has not been designated as a potentially responsible party (PRP or equivalent status) by any regulatory agency requiring the immediate clean-up of impacted areas. Although future costs may be incurred, it is not possible at this time to reasonably estimate the amount of any obligation for remediation activities because of uncertainties with respect to assessing the extent of the contamination or the applicable regulatory requirements. No liability has been recorded for potential future remediation activities as of August 31, 2012.

APPENDIX D

SUMMARY OF PRINCIPAL DOCUMENTS

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SUMMARY OF PRINCIPAL DOCUMENTS

The following is a summary of certain provisions and defined terms of the JPA Agreement, Facilities Agreement and the Bond Resolution. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the JPA Agreement, Facilities Agreement and the Bond Resolution, to each of which reference is hereby made, and copies of which are on file in the office of the Clerk of the City.

DEFINITIONS

The terms defined below are among those used in the summaries of the Facilities Agreement and the Bond Resolution. Except where otherwise indicated or provided, words in the singular include the plural and vice versa.

“Act” means the Joint Public Agency Act, Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended.

“Agency” means the West Haymarket Joint Public Agency, a joint public agency duly organized and validly existing under the laws of the State, and its successors and assigns.

“Agency Bond Levy” means the authority of the City which is irrevocably allocated and assigned to the Agency, for the period beginning June 1, 2010 and ending on the date upon which all of the Bonds are no longer deemed to be outstanding and unpaid pursuant to the resolution or resolutions pursuant to which they are issued, to cause the levy of taxes within the taxing jurisdiction of the City, beginning in the year 2010 for collection in 2011, for the purpose of paying the costs of the Projects pursuant to Section 15-202, Reissue Revised Statutes of Nebraska, as amended, in an amount which will be sufficient to pay the principal or redemption price of and interest on the Bonds when and as the same become due.

“Arena” means the sports/entertainment arena to be constructed, equipped, furnished and financed by the Agency.

“Arena Improvements” means any improvements to the Arena Project as may be made from time to time as determined by the City to be necessary, desirable, or advisable.

“Arena Manager” means any entity with which the City contracts to manage the Arena.

“Arena Project” means, collectively, those Projects described on **Exhibit A** of the Facilities Agreement, as it may be amended from time to time, which collectively constitute the Arena and the related parking improvements consisting of the surface parking lot northwest of the BNSF tracks, the parking garage adjacent to the Arena and the surface parking lot on the Arena site.

“Arena Sources of Funds” means state aid, developer contributions, occupation taxes, the turnback tax, Arena rent, concessions, premium seating, naming rights, signage, tickets, interest, tax increment revenues, parking revenues, state and federal environmental funds and private donations.

“Authorized Officer” means the Chair and the Secretary, or in the event that either the Chair or the Secretary is unavailable for any reason, any other member of the Board or the Treasurer or any other officer of the Agency authorized by the Board to execute documents for and on behalf of the Agency.

“Available Revenues” means all cash receipts of the Agency, plus unrestricted amounts in the Surplus Fund, less all cash payments of the Agency, including, without limitation, debt service on Bonds, operation and maintenance expenses and deposits to the Depreciation and Replacement Fund.

“Beneficial Owner” means any Person that (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Board” means the board of representatives of the Agency.

“Bond Counsel” means Gilmore & Bell, P.C., or other attorney or firm of attorneys with a nationally recognized standing in the field of municipal bond financing selected by the Agency.

“Bond Register” means the books for the registration, transfer and exchange of Bonds kept at the office of the Paying Agent.

“Bond Resolution” means the resolution adopted by the Agency on March 22, 2013, as amended on November 14, 2013, authorizing the issuance of the Bonds.

“Bonds” means, with respect to the Facilities Agreement, any indebtedness issued by the Agency the proceeds of which are used to pay any of the costs of acquiring, constructing, equipping or furnishing any of the Projects, authorized to be issued by a Resolution of the Agency and any indebtedness of the Agency issued to refund, directly or indirectly, any Bonds; and means, with respect to the Resolution, the Bonds.

“Budget Act” means Sections 13-501 to 13-513, inclusive, Reissue Revised Statutes of Nebraska, as amended.

“Business Day” means a day other than a Saturday, Sunday or holiday on which the Registrar is scheduled in the normal course of its operations to be open to the public for conduct of its banking operations.

“Cede & Co.” means Cede & Co., as nominee of The Depository Trust Company, New York, New York.

“City” means The City of Lincoln, Nebraska.

“Clerk” means the Clerk of the City.

“Code” means the Internal Revenue Code of 1986, as amended, and the applicable regulations of the Treasury Department proposed or promulgated thereunder.

“Completion Date” means the date established pursuant to the Resolution on which construction of the Projects is complete.

“Compliance Procedure” means the Compliance Plan and Procedure for West Haymarket Joint Public Agency Tax Advantaged Bonds attached to the Facilities Agreement as **Exhibit B**, as it may be amended from time to time.

“Construction Fund” means any of the funds designated as such by a Resolution of the Agency and any accounts or subaccounts created therein into which the net proceeds from the sale of a series of Bonds issued by the Agency shall be deposited.

“Consultant’s Report” means a written report of an individual consultant or accountant or firm of consultants or accountants, selected by the Agency and acceptable to the City and the Agency, having the skill and experience necessary to render the particular report, certification or service required by the Facilities Agreement and having a favorable reputation for such skill and experience, which individual or firm shall have no interest in the Agency or the City, and, in the case of an individual, shall not be a member, officer or employee of the Agency or any Participant, and, in the case of a firm, shall not have a partner, member, director, officer or employee who is a member, officer or employee of the Agency or any Participant.

“Continuing Disclosure Undertaking” means the Continuing Disclosure Undertaking executed by the Agency and the City, dated the date of delivery of the Bonds, as originally executed and as amended from time to time in accordance with its terms.

“Costs of Construction” means, with respect to each Project:

- (a) Obligations incurred for labor and material and to contractors, builders and materialmen in connection with such Project or any part thereof;
- (b) The cost of acquiring rights, rights-of-way, easements or other interests in land as may be deemed necessary or convenient for the construction and operation of such Project;
- (c) Taxes or other municipal or governmental charges lawfully levied or assessed against such Project or against any property acquired therefor, or payments required in lieu thereof, in each case during the period of construction, and premiums on insurance;
- (d) Costs of installing utility services or connections thereto or relocation thereof;
- (e) Costs of fidelity and indemnity bonds;
- (f) Costs of fixed and moveable equipment;
- (g) Expenses incurred in enforcing any remedy against a contractor or subcontractor in respect of default;
- (h) Costs of site acquisition, preparation and landscaping;
- (i) Fees and expenses of architects, engineers, consultants, surveyors, and inspectors and costs of issuance of the Bonds; and
- (j) Any other costs directly incurred in the acquisition, purchase, construction, equipping, furnishing and completion of such Project.

“2013 Debt Service Account” means the account by that name in the Debt Service Fund, in which there shall be established such subaccounts as shall be determined by the Finance Director.

“Debt Service Fund” means any of the funds and any accounts or subaccounts created pursuant to a Resolution authorizing the issuance of Bonds into which money for the payment of such Bonds shall be deposited as provided by such Resolution and the Facilities Agreement.

“Defaulted Interest” means interest on any Bond which is payable but not paid on any Interest Payment Date.

“Defeasance Obligations” means any of the following obligations:

(a) Government Obligations that are not subject to redemption in advance of their maturity dates;
or

(b) obligations of any state or political subdivision of any state, the interest on which is excluded from gross income for federal income tax purposes and which meet the following conditions:

(1) the obligations are (A) not subject to redemption prior to maturity or (B) the trustee for such obligations has been given irrevocable instructions concerning their calling and redemption and the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;

(2) the obligations are secured by cash or Government Obligations that may be applied only to the principal or Redemption Price of and interest payments on such obligations;

(3) such cash and the principal of and interest on such Government Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the obligations;

(4) such cash and Government Obligations serving as security for the obligations are held in an escrow fund by an escrow agent or a trustee irrevocably in trust;

(5) such cash and Government Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and

(6) the obligations are rated in the highest rating category by Moody’s Investors Service, Inc. (presently “Aaa”) or Standard & Poor’s Ratings Group (presently “AAA”).

“Depreciation Fund Requirement” means an amount equal to 2% of the original construction cost of the Arena Project, as determined by the Finance Director of the City.

“Facilities” means the West Haymarket Facilities identified in **Exhibit A** to the Facilities Agreement, as it may be amended and supplemented from time to time, and at the date of the Official Statement includes the following: (a) the Arena, (b) roads, streets and sidewalks, (c) a pedestrian overpass, (d) public plaza space, (e) sanitary sewer mains, (f) water mains, (g) electric transmission lines, (h) drainage systems, (i) flood control, (j) parking garages and (k) surface parking lots.

“Facilities Agreement” means the Facilities Agreement, dated September 8, 2010, as amended and restated by the Amended and Restated Facilities Agreement, dated July 12, 2013, between the City and the Agency, governing the acquisition, construction, equipping, furnishing, operation and management of the Projects, and the collection, deposit and application of the Revenues.

“Finance Director” means the Finance Director of the City, as the chief financial officer of the Agency.

“Government Obligations” means bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to full and timely payment by, the United States, including evidences of a direct ownership interest in future interest or principal payments on obligations issued or guaranteed by the United States (including the interest component of obligations of the Resolution Funding Corporation), or securities which represent an undivided interest in such obligations, which obligations are rated in the highest

rating category by a nationally recognized rating service and such obligations are held in a custodial account for the benefit of the Agency.

“Infrastructure Improvement” means any improvements to the Infrastructure Project as may be made from time to time as determined by the City to be necessary, desirable, or advisable.

“Infrastructure Project” means all of the Projects excluding the Arena Project.

“Interest Payment Date” means June 15 and December 15 of each year beginning June 15, 2014.

“JPA Agreement” means the Joint Public Agency Agreement Creating the West Haymarket Joint Public Agency, dated as of April 1, 2010, between the City and the Regents, as amended and restated by the Amended and Restated Joint Public Agency Agreement of the West Haymarket Joint Public Agency, dated January 10, 2011.

“Maturity,” when used with respect to any Bond, means the date on which the principal of such Bond becomes due and payable as therein and herein provided, whether at the Stated Maturity thereof or call for optional or mandatory redemption or otherwise.

“Non-Qualified User” means any person or entity other than a Qualified User.

“Operation and Maintenance Fund” means the fund by that name created by the Facilities Agreement.

“Operational Increment” means, for any fiscal year, the amount negotiated between the City and the Arena Manager and budgeted to pay operation and maintenance expenses of the Arena to the extent revenues received by the Arena Manager are insufficient for such purposes.

“Outstanding” means, when used with reference to the Bonds, as of any particular date of determination, all Bonds theretofore authenticated and delivered under the Resolution, except the following Bonds:

- (a) Bonds theretofore cancelled by the Paying Agent or delivered to the Paying Agent for cancellation;
- (b) Bonds deemed to be paid in accordance with the defeasance provisions of the Resolution; and
- (c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Resolution.

“Participants” means, for purposes of the JPA Agreement and Facilities Agreement, the City and the Regents.

“Person” means any natural person, corporation, partnership, joint venture, association, firm, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof or other public body.

“Project” means any one of the Projects.

“Projects” means the projects identified in **Exhibit A** to the Facilities Agreement, as it may be amended and supplemented from time to time, and at the date of the Official Statement includes the following: the constructing, equipping, furnishing and financing of certain public facilities in the West Haymarket Redevelopment Area of the City identified in **Exhibit A** to the Facilities Agreement, as it may be amended and supplemented from time to time, and at the date of the Official Statement includes the following: (a) the Arena, (b) roads, streets and sidewalks, (c) a pedestrian overpass, (d) public plaza space, (e) sanitary sewer mains, (f) water mains, (g) electric transmission lines, (h) drainage systems, (i) flood control, (j) parking garages, (k) surface parking lots, and (l) (1) the acquisition of land and relocation of existing businesses, and (2) such environmental remediation and site preparation as necessary and appropriate for the construction, equipping, furnishing and financing of the West Haymarket Facilities.

“Regents” means The Board of Regents of the University of Nebraska.

“Resolution” means, for purposes of the Facilities Agreement, any resolution or other authorizing document of the Agency pursuant to which a series of Bonds is issued to finance or refinance any portion of the costs of any Project; and means, for purposes of the Bond Resolution, the Bond Resolution.

“Revenue Fund” means the fund by that name created by the Facilities Agreement, and in which there is established a General Account and a Private Account.

“Revenues” means any revenues, receipts and income received by the Agency from any source, including, without limitation, amounts received from the following sources: interest subsidy payments received pursuant to the Code, state aid, developer contributions, occupation taxes, the turnback tax, Arena rent, concessions, premium seating, naming rights, signage and advertising, tickets, interest, tax increment revenues, parking revenues, state and federal environmental funds and private donations.

“Site” means the real estate indicated on **Exhibit A** of the Facilities Agreement, as amended and supplemented from time to time, to be acquired by the Agency.

“Surplus Fund” means the fund by that name created by the Facilities Agreement, and in which there is established an Arena Account and an Infrastructure Account.

“Tax Agreement” means the Tax Compliance Agreement dated the date of its execution and delivery by the Agency and the City concerning the requirements of the Code with respect to the Bonds, as the same may be amended or supplemented in accordance with the provisions thereof.

“Tax Compliance Plan” means the Compliance Plan and Procedure for West Haymarket Joint Public Agency Tax Advantaged Bonds attached as **Exhibit B** to the Facilities Agreement, as it may be amended from time to time.

“West Haymarket Facilities” means the Projects defined to include the West Haymarket Facilities in **Exhibit A** to the Facilities Agreement as it may be amended and supplemented from time to time, and at the date of the Official Statement includes the following: (a) the Arena, (b) roads, streets and sidewalks, (c) a pedestrian overpass, (d) public plaza space, (e) sanitary sewer mains, (f) water mains, (g) electric transmission lines, (h) drainage systems, (i) flood control, (j) parking garages and (k) surface parking lots.

“West Haymarket Redevelopment Area” means the area in the City generally bounded by BNSF and Union Pacific railroad lines on the west, approximately North 7th Street on the east, the south interior roadway of Haymarket Park and Bereuter Pedestrian Bridge on the north and “M” Street on the south, as the same may be amended from time to time by the City.

JPA AGREEMENT

Creation

Pursuant to the Act and the JPA Agreement, the Participants created a joint public agency named the West Haymarket Joint Public Agency (the “**Agency**”) which constitutes a separate political subdivision and a public body corporate and politic of the State of Nebraska under the provisions of the Act.

Purpose

The purposes of the Agency are as follows:

(a) To make the most efficient use of the taxing authority and other powers of the Participants and to cooperate with each other and other governmental units on a basis of mutual advantage and to thereby provide services and facilities in a manner and pursuant to a form of governmental organization that will best account with the geographic, economic, population, and other factors influencing the needs and development of the Participants.

(b) To exercise any power, privilege or authority to facilitate land acquisition, relocation of existing businesses, environmental remediation, site preparation and the construction, equipping, furnishing and financing public facilities, including but not limited to a sports/entertainment arena, roads, streets, sidewalks, pedestrian overpass, public plaza space, sanitary sewer mains, water mains, electric transmission lines, drainage systems, flood control, parking garages and surface parking lots and any other capital improvements or other projects pertaining to the redevelopment of the West Haymarket Redevelopment Area as shall be determined by the Board to be necessary, desirable, advisable or in the best interests of the Participants in the manner and as provided for by the Act. The West Haymarket Redevelopment Area is an area generally described in the JPA Agreement and shall include any interest in property belonging to or acquired by the Agency for purposes of the Project including both permanent and temporary interests, licenses and rights of entry inclusive of all public right of way and approaches within design-appropriate distances of intersections for turning lanes and other appropriate features and amenities.

(c) To issue bonds to finance the Projects, and to levy a tax as provided by the Act and the JPA Agreement to pay the principal or redemption price of and interest on such bonds, when and as the same shall become due, to own the Arena and parking garages for so long as any Agency Bonds (hereinafter defined) are outstanding, to enter into a lease with the City to operate the Arena and parking garages for so long as any Agency Bonds are outstanding and to convey the Arena and parking garages to the City at such time as no Agency Bonds are outstanding.

(d) To sell, lease or otherwise dispose of excess land not needed for the Projects to the City, Regents or private entities for redevelopment of the City’s West Haymarket Redevelopment Area and, in particular, a proposed mixed use redevelopment project consisting of a multi-story, 200-250 room hotel, including some first floor rental space and one or more buildings containing approximately 100,000 square feet of residential space, 100,000 square feet of office space, and 100,000 square feet of retail space.

Organization

Governing Body. The Board of the Agency consists of the following representatives: (a) Mayor of the City, (b) the member of the Board of Regents of the University of Nebraska from District No. 1, and (c) a member of the City Council of the City appointed by the Mayor.

Term of Office. Unless otherwise disqualified by the provisions of the Act, and except as provided in the JPA Agreement or any amendment thereto, each representative shall serve for so long as such representative holds the position set forth in the preceding paragraph, or, in the case of the member of the City Council, until a successor is appointed by the Mayor.

Voting. Unless the Board unanimously adopts different rules relating to voting by representatives, each representative shall have one vote on matters before the Board. Except as may otherwise be provided in the JPA Agreement, or in any agreement to which the Agency is a party, all actions of the Agency may be taken with the concurrence of a majority of the representatives entitled to vote. All actions of the Agency related to the Arena (as opposed to the West Haymarket Facilities as a whole) may only be taken by a unanimous vote of all the representatives entitled to vote.

The Board shall adopt rules of governance that will include at a minimum, the following:

(a) *Quorum.* A majority of the representatives shall constitute a quorum for the transaction of any Agency business.

(b) *Officers.* The Board shall elect a chair and vice-chair from among the representatives. The Board shall elect a secretary as provided for in Section 13-2516 of the Act and appoint a treasurer who each shall serve at the pleasure of the Board and until their respective successors shall be appointed or elected as the case may be.

Duration

The duration of the Agency shall be perpetual, commencing with the date of issuance of the Certificate of Creation, and shall continue in effect until terminated as provided in the JPA Agreement.

Powers

The Agency shall have such powers as are allowed by the Act, and any amendments thereto including, but not limited to, the powers:

(a) to incur debts, liability, or obligations, including the borrowing of money and the issuance of bonds, secured or unsecured, pursuant to the Act;

(b) to borrow money or accept contributions, grants, or other financial assistance from a public agency and to comply with such conditions and enter into such contracts, covenants, mortgages, trust indenture, leases, or agreements as may be necessary, convenient, or desirable;

(c) subject to any agreements with holders of outstanding bonds, to invest any funds held in reserve or sinking funds, or any funds not required for immediate disbursement, including the proceeds from the sale of any bonds, in such obligations, securities, and other investments as the Board shall deem proper;

(d) to contract with and compensate consultants for professional services including, but not limited to, architects, engineers, planners, lawyers, accountants, financial advisors and others found necessary or useful and convenient to the stated purposes of the Agency;

(e) to levy taxes upon the taxable property in the City pursuant to Sections 13-2507 and 77-3443, Reissue Revised Statutes of Nebraska, as amended, to the extent that the authority to levy

taxes is expressly and specifically assigned and allocated to the Agency by a Participant in the JPA Agreement; and

(f) to exercise any other powers which are deemed necessary and convenient to carry out the Act.

Issuance of Bonds

The Agency, by resolution of the Board, may from time to time issue bonds or other evidences of indebtedness (the “**Agency Bonds**”) payable exclusively from all or a portion of the revenue from one or more projects, from one or more revenue-producing contracts, including securities acquired from any person, or leases made by the Agency with any person, including any Participant, or from its revenue generally which may be additionally secured by a pledge of any grant, subsidy, or contribution from any person or a pledge of any income or revenue, funds, or money of the Agency from any source whatsoever or a mortgage or security interest in any real or personal property, commodity, product, or service or interest therein.

The Agency may from time to time also issue bonds in such principal amounts as the Board shall determine to be necessary to provide sufficient funds to carry out any of the Agency’s purposes and powers, including the establishment or increase of reserves, the payment of interest accrued during construction of a project and for such period thereafter as the Board may determine, and the payment of all other costs or expenses of the Agency incident to and necessary or convenient to carry out its purposes and powers.

Notwithstanding any other terms of the JPA Agreement to the contrary, the Agency shall not issue any bonds or other form of indebtedness without the question of said bonds or indebtedness being first presented to, and approved by, the Mayor and Council of the City.

Levy Authority

Pursuant to the provisions of Section 13-2507, Reissue Revised Statutes of Nebraska, as amended:

The City irrevocably allocates and assigns to the Agency, for the period beginning June 1, 2010 and ending on the date upon which all of the Agency Bonds are no longer deemed to be outstanding and unpaid pursuant to the resolution or resolutions pursuant to which they are issued, its authority to cause the levy of taxes within the taxing district of the City, beginning in the year 2010 for collection in 2011, for the purpose of paying the costs of the Projects pursuant to Section 15-502, Reissue Revised Statutes of Nebraska, as amended, in any amount which will be sufficient to pay the principal or redemption price of and interest on the Agency Bonds when and as the same become due (the “**Agency Bond Levy**”), solely for the purpose of paying the principal or redemption price of and interest on the Agency Bonds.

The Agency Bond Levy shall be certified to The County of Lancaster, Nebraska as provided by law for levy and collection in such amounts, if any, as may be required to pay the principal or redemption price of and interest on the Agency Bonds as the same become due.

All taxes collected under the Agency Bond Levy shall be collected as provided by law and shall be credited to the Agency as soon as practicable.

Acquiring and Holding Property

The Board may lease, purchase or acquire by any means, from a Participant or from any other source, such real and personal property as is required for the operation of the Agency and for carrying out the purposes of the JPA Agreement. The title to all such property, personal or real, needed for the West

Haymarket Facilities shall be held in the name of the Agency for so long as any Agency Bonds shall remain outstanding. The Agency shall convey all of its interest in the Projects to the City at such time as no Agency Bonds remain outstanding. The Agency shall comply with the applicable bidding procedures of the County Purchasing Act, Section 23-3111, Reissue Revised Statutes of Nebraska, as amended. The City shall perform the functions of the purchasing agent designated therein.

All conveyances of real property owned or held in the name of the Agency shall be authorized by resolution of the Board and executed by the Chair.

Budget

The Board shall prepare a budget based on a fiscal year coinciding with the fiscal year of the City, for the operation of the Agency. The budget of the Agency shall be established as provided in the Nebraska Budget Act (Chapter 13, Article 5, Reissue Revised Statutes of Nebraska, as amended) and presented to the City Council prior to the Agency's levy certification. The Agency shall cause to be conducted annually an audit conducted by a private qualified auditing business. The resulting audit report shall be delivered to the Agency and the governing body of each Participant.

Withdrawal

If the governing body of a Participant adopts a resolution setting forth the determination that the need for the Agency no longer exists, the Participant shall be permitted to withdraw from participation in the Agency, but withdrawal shall not affect the obligations of the withdrawing Participant pursuant to the JPA Agreement or any other agreements with the Agency. Withdrawal shall not impair or adversely affect the levy of taxes by the Agency or receipt of revenues for, or the payment of, any outstanding bonds or indebtedness or the interest thereon.

Dissolution

The Agency shall not be dissolved so long as any Agency Bonds are outstanding under the instrument pursuant to which they were issued. Upon dissolution of the Agency, provided the City continues to have the responsibility for the Projects, all interest in the land, capital improvements, personal property and all other assets of the Agency used in the operation of the Projects financed by the Agency Bonds remaining in the Agency shall be transferred to the City.

Amendment

The JPA Agreement may be amended in writing signed by all the Participants, provided however, that no amendment may be made limiting the duty of the Agency or the Participants created herein to levy and collect taxes for the payment of any Agency Bonds. Any amendment to the JPA Agreement must first be approved by resolution of the governing body of each Participant. The amended and restated Agreement shall be filed with the Nebraska Secretary of State.

FACILITIES AGREEMENT

Provision of Facilities

The Agency agrees that it will acquire title to the Site and acquire, construct, equip and furnish all of the Projects for the City on the Site and in accordance with final plans and specifications to be approved by the City.

The Agency appoints the City as its agent for purposes of acquiring, constructing, equipping and furnishing each Project. The City shall, upon completion of the final plans and specifications, proceed to take bids and award contracts in compliance with the bidding procedures of the County Purchasing Act to the extent required to complete each Project. Contracts for the acquisition, construction, equipping and furnishing of each Project shall be entered into in the name of the Agency.

The City acknowledges that the costs of constructing, equipping and furnishing the Projects may exceed the amount of money to be deposited in the Construction Fund, which fund contains and will contain money only from the proceeds of sale of the Bonds issued by the Agency. The City currently anticipates that it will have on hand funds sufficient to make up any difference between the cost for completing the acquisition, construction, equipping and furnishing of the Projects and the money in the Construction Fund. The City agrees that it shall pay from its own funds any amounts necessary to make up any difference between the total amount of such estimated cost and the money in the Construction Fund.

The Agency agrees that any contractor which provides work on any Project shall provide performance and payment bonds and builders' risk insurance, all as specified in the Facilities Agreement.

The City agrees that the Agency shall not be obligated to pay for any work, whether by change order or otherwise, in excess of the amount of funds in the Construction Fund.

The ownership of, in and to the Arena Project acquired pursuant to the Facilities Agreement, including any and all improvements and other property, shall vest in the Agency for so long as any Bonds remain outstanding. The Agency shall not transfer, encumber or sell the Arena Project or any portion thereof without the approval of the City. At such time as no Bonds remain outstanding, the Agency shall convey the Arena Project to the City for the sum of \$1.00 and other good and valuable consideration.

The ownership of, in and to the tangible portions of the Infrastructure Project shall vest in the City as provided in the Facilities Agreement.

Upon completion of the acquisition, construction, equipping and furnishing of each Project, the City shall furnish to the Agency a complete description of all property, both real and personal, covered by the Facilities Agreement.

Payment of Costs of Construction

The City and the Agency agree that all Costs of Construction shall be paid out of the Construction Fund or other available funds of the City. Disbursement requisitions to any contractor or vendor to be paid from the appropriate accounts and/or subaccounts in the Construction Fund for Costs of Construction of each Project or to any provider of equipment and furnishings, including the final requisition, shall be approved by the City and the Agency. Requisition approvals by the Agency shall be evidenced by the Chair of the Agency and the Agency Treasurer pursuant to Section 13-2527(1), Reissue Revised Statutes of Nebraska, as amended.

Certificate of Acceptance

Upon completion of any Project and acceptance thereof by the City, the fact of such completion and acceptance shall be evidenced by a Certificate of Completion signed by the Chairperson of the Agency. Upon completion and acceptance of such Project together with all other Projects, the costs of which are to be paid from such account in the Construction Fund, any amount remaining in such account in the Construction Fund after payment of all costs of completion of such Project and all other Projects the costs of which are to be paid from such account in the Construction Fund, shall be transferred to the Debt Service Fund and applied to the payment of debt service on the applicable Bonds.

Dispute Resolution

Any dispute with any contractor concerning the construction of any Project or interpretation of any contract shall not be adjusted and settled by the Agency in an amount in excess of the money in the Construction Fund without the City's approval, and in such event, the City shall be liable and make payment to such contractor and all other persons for any judgment, claim or liability in connection with a Project in excess of the money in the Construction Fund.

Ownership and Management of Parking Garages; Transfer or Dedication of Infrastructure Project to the City

(a) Parking Garages.

(1) Ownership. The ownership of and in the premises for the Parking Garages and the parking garage improvements constructed thereon pursuant to this Agreement shall vest in the Agency for so long as any of the Bonds remain outstanding. At such time as no Bonds remain outstanding, the Agency shall convey the Parking Garages to the City for the sum of One Dollar (\$1.00) and other good and valuable consideration.

(2) Management of Parking Garages. The City shall contract with the Agency for the City to undertake the maintenance, operation, and management of the Parking Garages on behalf of the Agency in the same manner as the City undertakes to maintain, operate and repair the City's downtown parking garages.

(b) Infrastructure Projects.

(1) Design and Construction. The Agency or City shall provide all necessary personnel to design, engineer, construct and complete each Infrastructure Project in the same manner as comparable City facilities. The Director of Public Works and Utilities of the City is hereby designated as the chief official responsible for any design, engineering, construction or completion of the Infrastructure Project by the City. All City personnel assisting with the designing, engineering, construction or completion of the Infrastructure Project shall be and will remain employees of the City for purposes of all state and federal laws governing the conditions of their employment, including payment of wages, employment benefits, insurance, liability and taxation of income.

(2) Transfer or Dedication. The Agency, except as provided in (a) above, will in consideration of the City's transfer of all the net proceeds from the City's issuance of its general obligation bonds after payment of costs of issuance thereof, in an aggregate original stated principal amount not to exceed \$25,000,000 pursuant to Ordinance No. 19843 adopted on March 4, 2013 by the City Council for the City of Lincoln, Nebraska, transfer or dedicate such portion of each Infrastructure Project which is of the type customarily publicly dedicated to the City. The Agency agrees that said proceeds shall be used by the Agency solely for the purpose of paying for the cost to acquire, construct, improve, or equip the Arena Project as an eligible facility under the Convention Center Facilities Financing Act (Neb. Rev. Stat. §§ 13-2601 to 13-2613 (Reissue 2012)). The transfer or dedication of such portion of the Infrastructure Project shall be made as and when completed to be maintained, operated and managed as City facilities and the Agency shall execute and deliver to the City any and all documents as may be requested by the City for such purpose. Prior to the City's acceptance of such transfer or dedication of any portion of any Infrastructure Project to the City, the Director of Public Works and Utilities of the City shall review and approve the design and construction of such Infrastructure Project as having been designed and constructed in substantially the same manner as comparable City facilities.

City to Maintain, Operate and Manage the Arena Project

The City undertakes to maintain, operate and manage the Arena Project. In such connection the following terms shall apply:

(a) The City shall provide or contract for all necessary personnel, materials and supplies to maintain, operate and manage the Arena Project as an entertainment/sports arena and related facilities. Except for Qualified Use Agreements (as defined in the Compliance Procedure), the City will not enter into any lease or contract with respect to the use, operation or management of the Arena without first obtaining a Special Tax Opinion (as defined in the Compliance Procedure). All City personnel assisting with the operation of the Arena Project shall be and will remain employees of the City for purposes of all state and federal laws governing the conditions of their employment, including payment of wages, employment benefits, insurance, liability and taxation of income.

(b) Any improvements to the Arena Project may be made from time to time as determined by the City to be necessary, desirable or advisable (the “**Arena Improvements**”). The Agency shall contract for work on such Arena Improvements with contracts to be awarded and entered into pursuant to the County Purchasing Act, Section 23-3111, Reissue Revised Statutes of Nebraska, as amended. All costs of such Arena Improvements shall be paid by the Agency from Agency funds available for such purposes, including, without limitation, the Arena Account in the Surplus Fund.

(c) The City shall establish rates, fees and charges which are to apply to the use of the Arena Project and shall adjust such rates, fees and charges from time to time as it deems appropriate, just and equitable. The City shall annually, or at such other intervals as the City deems appropriate, submit a report to the Agency detailing the proposed rates, projected revenues based on the same and the proposed expenses.

(d) The Agency shall pay to the City the fees and charges, based upon actual costs and budgeted annually, as the same shall be amended from time to time.

(e) In exercising its authority and carrying out its duties and functions the City shall not discriminate against any employee, applicant for employment, contractor, potential contractor, or any individual or entity on the basis of race, religion, color, sex, national origin, disability, age, marital status, or any other basis prohibited by law.

Insurance

The City or Agency shall maintain, or cause to be maintained, insurance upon the Arena Project and the operation thereof as follows:

(a) insurance against fire, theft and extended coverage risks (including vandalism and malicious mischief) in an amount not less than the full insurable value of the Arena Project.

(b) general public liability insurance against claims for bodily injury, death or property damage occurring on, in or about any of the Projects with limits of not less than \$1,000,000 for any person for any number of claims arising out of a single occurrence, \$5,000,000 for all claims arising from a single occurrence, and any greater limits of liability which may be established by Section 13-926, Reissue Revised Statutes of Nebraska, as amended, or any other applicable provision of the Nebraska Political Subdivision Tort Claims Act (the “**Tort Claims Act**”), and excess insurance with limits of not less than \$2,000,000 dollars for any liability which may not be limited by the Tort Claims Act. Such general public liability insurance may be subject to a deductible amount not in excess of \$500,000.

(c) workers' compensation insurance coverage as required by the laws of the State of Nebraska.

(d) performance bond coverage and labor and materials payment bond coverage for the construction of the Improvements in the full amount of the contract or contracts for construction of the Improvements.

All such insurance shall show the City and the Agency as insureds as their respective interests may appear. Insurance required in (a) and (d) above shall be payable to the Agency. The cost of any and all such insurance shall be treated as a cost of operation and maintenance of the Projects.

Utilities and Other Impositions

The City shall provide for the payment of all utility charges, taxes (if any) and other impositions related to the Projects or the operation thereof and all such charges or impositions shall be treated as a cost of operation and maintenance of the Arena Project and be paid from the Operation and Maintenance Fund, or if the balance thereof is insufficient for such purposes, by the City. Because the Projects will be used for governmental purposes and not for financial gain or profit, under present law the Projects will not be subject to real estate or personal property taxes. It is understood and agreed, however, that the City agrees to pay any taxes and assessments, general and special, and all other impositions, ordinary and extraordinary, of every kind and nature which might be levied or assessed on the Projects and any improvements hereafter constructed.

Use of Projects

As long as any Bonds remain outstanding, the proceeds of which were used to acquire, construct, equip, or furnish any of the Projects, the City and the Agency shall not use any of the Projects, or allow the use thereof, in any manner inconsistent with use for the general municipal purposes of the Agency or the City.

Issuance of Bonds; Debt Service

To pay the Costs of Construction of one or more Projects and the costs of issuance thereof, the Agency agrees to issue Bonds pursuant to one or more Resolutions and to deposit the proceeds thereof as provided in the Resolution authorizing such series of Bonds.

The City and the Agency covenant and agree that all payments of the principal or redemption price of and interest on the Bonds shall be made from Revenues, together with the proceeds of the tax levied by the Agency by authority granted to the Agency pursuant to the JPA Agreement and any other available funds of the Agency.

Establishment of Funds

The Facilities Agreement establishes the following separate funds to be held by the City Treasurer as agent for the Agency:

(a) the West Haymarket Joint Public Agency Revenue Fund (the "**Revenue Fund**") in which there is established (1) a General Account and (2) a Private Account.

(b) the West Haymarket Joint Public Agency Debt Service Fund (the "**Debt Service Fund**") in which there shall be established an account for each series of Bonds.

(c) the West Haymarket Joint Public Agency Operation and Maintenance Fund (the **“Operation and Maintenance Fund”**).

(d) the West Haymarket Joint Public Agency Depreciation and Replacement Fund (the **“Depreciation and Replacement Fund”**).

(e) the West Haymarket Joint Public Agency Surplus Fund (the **“Surplus Fund”**) in which there is established (1) an Arena Account and (2) an Infrastructure Account.

The funds referred to in paragraphs (a) through (e) above shall be maintained and administered by the Agency and the City solely for the purposes and in the manner as provided in the Facilities Agreement so long as any Bonds remain outstanding within the meaning of the Resolution pursuant to which such Bonds were issued.

In addition, to the extent that proceeds of the Bonds authorized by a Resolution will be used to pay the Costs of Construction of any portion of any Project, such Resolution shall establish a Construction Fund and any necessary or desirable accounts and subaccount therein in accordance with the provisions of the Facilities Agreement.

Collection and Application of Revenues

The City and the Agency covenant and agree that from and after the delivery of any Bonds, and continuing as long as any Bonds remain outstanding under the Resolution pursuant to which they were issued, all of the Revenues shall as and when received be paid and deposited into the Revenue Fund. The City and the Agency shall deposit Revenues into the General Account and the Private Account in accordance with the Compliance Procedure. The Revenues shall be segregated and kept separate and apart from all other moneys, revenues, funds and accounts of the Agency and the City and shall not be commingled with any other moneys, revenues, funds and accounts of the Agency or the City. The Revenue Fund shall be administered and applied solely for the purposes and in the manner provided in the Facilities Agreement.

The City’s occupation tax revenues generated under Ordinance Nos. 19407, 19408, and 19409 (the **“Occupation Tax Revenues”**) have been and shall be expended by the City through the JPA in part to acquire, construct, improve, and equip the Arena as a sports arena facility (as defined in Section 13-2603). Any state assistance provided under the Convention Center Facility Financing Assistance Act (the **“Turn Back Tax”**) in excess of the amounts necessary for a period of thirteen months from the date of receipt to pay principal of and interest on the City’s \$25,000,000 in principal amount of general obligation bonds issued pursuant to Ordinance No. 19843 adopted on March 4, 2013, by the City Council for the City, and proceeds of any bonds issued to refund such bonds, (the **“Turn Back Tax Bonds”**) shall be used to pay the City back amounts for capital expenditures on the Arena so expended from the City’s Occupation Tax Revenues through the JPA. To the extent Turn Back Tax receipts held by the City are insufficient to pay amounts next falling due on the City’s Turn Back Tax Bonds, the JPA shall provide funds in an amount necessary for the City to make such debt service payment on the Turn Bank Tax Bonds.

Application of Money in Funds

(a) The City and the Agency covenant and agree that from and after the delivery of any Bonds and continuing so long as any Bonds shall remain outstanding under the Resolution pursuant to which such Bonds were issued, it will on the first day of each month administer and allocate all of the money then held in the General Account in the Revenue Fund as follows:

(1) **Debt Service Fund.** There shall first be paid and credited monthly to each account established pursuant to a Resolution, all Revenues collected in the preceding month until the balance

in such account is equal to all principal and interest payments becoming due through the following December 15 on all Bonds then outstanding under such Resolution payable from such account.

(2) **Operation and Maintenance Fund.** There shall next be paid and credited to the Operation and Maintenance Fund an amount equal to the Operational Increment for the current fiscal year of the Agency. All amounts paid and credited to the Operation and Maintenance Fund shall be expended and used by the City, as agent for the Agency, solely for the purpose of paying the operating expenses of the Arena Project to the extent revenues received by the Arena Manager are insufficient for such purposes.

(3) **Depreciation and Replacement Fund.** After all payments and credits required at the time to be made under the provisions of paragraphs (1) and (2) above have been made, there shall next be paid and credited to the Depreciation and Replacement Fund all amounts remaining in the General Account in the Revenue Fund until such Fund aggregates the Depreciation Fund Requirement so long as any of the Bonds remain Outstanding.

Money in the Depreciation and Replacement Fund shall be expended and used by the Agency and the City, if no other funds are available therefor, (A) for the purpose of making emergency replacements and repairs in and to the Arena Project as may be necessary to keep the Arena Project in good repair and working order and to assure the continued effective and efficient operation thereof and (B) to pay the Operational Increment, to the extent that Revenues are insufficient for such purpose. After the Depreciation and Replacement Fund aggregates the Depreciation Fund Requirement, no further payments into said Fund shall be required, but if the Agency or the City is ever required to expend a part of the money in the Depreciation and Replacement Fund for its authorized purposes and such expenditure reduces the amount of such Fund below the Depreciation Fund Requirement, then monthly payments into the Depreciation and Replacement Funds shall resume and continue until said Fund again aggregates the Depreciation Fund Requirement.

(4) **Surplus Fund.** After all payments and credits required at the time to be made under the provisions of the foregoing paragraphs (a)(1), (2) and (3) have been made, all moneys remaining in the General Account in the Revenue Fund shall be paid and credited to either the Arena Account or the Infrastructure Account in the Surplus Fund, as determined by the City and the Agency. Money in the Arena Account of the Surplus Fund may be expended and used for the following purposes as determined by the City and the Agency:

(A) Paying all or a portion of the costs of one or more Projects which constitute the Arena Project in accordance with the plans and specifications therefor prepared by the Agency's architects approved by the City and the Agency and on file in the office of the Secretary, including any alterations in or amendments to such plans and specifications deemed advisable by the Agency's architects and approved by the City and the Agency.

The Treasurer shall make a withdrawal from the Arena Account in the Surplus Fund for such purpose only upon a duly authorized and executed order of the Agency accompanied by a certificate executed by the Agency's architects stating that such payment is being made for a purpose within the scope of the Facilities Agreement and that the amount of such payment represents only the contract price of the property, equipment, labor, materials or service being paid for or, if such payment is not being made pursuant to an express contract, that such payment is not in excess of the reasonable value thereof.

(B) Paying the cost of the operation, maintenance and repair of the Arena Project to the extent that may be necessary after the application of the moneys held in the Operation and Maintenance Fund;

(C) Paying the cost of extending, enlarging or improving the Arena Project;

(D) Paying the principal of and interest on the Bonds or calling, redeeming and paying prior to the maturity thereof, or, at the option of the Agency, purchasing in the open market at the best price obtainable not exceeding the redemption price (if any bonds are callable) any outstanding Bonds including principal, interest and redemption premium, if any; and

(E) Any other lawful purpose in connection with the operation of the Arena Project and benefiting the Arena Project.

Money in the Infrastructure Account of the Surplus Fund may be expended and used for the following purposes as determined by the City and the Agency:

(A) Paying all or a portion of the costs of one or more Projects in accordance with the plans and specifications therefor prepared by the Agency's architects approved by the City and the Agency and on file in the office of the Secretary, including any alterations in or amendments to such plans and specifications deemed advisable by the Agency's architects and approved by the City and the Agency.

The Treasurer shall make a withdrawal from the Infrastructure Account in the Surplus Fund for such purpose only upon a duly authorized and executed order of the Agency accompanied by a certificate executed by the Agency's architects stating that such payment is being made for a purpose within the scope of the Facilities Agreement and that the amount of such payment represents only the contract price of the property, equipment, labor, materials or service being paid for or, if such payment is not being made pursuant to an express contract, that such payment is not in excess of the reasonable value thereof.

(B) Paying the cost of the operation, maintenance and repair of any of the Projects to the extent that may be necessary after the application of the moneys held in the Operation and Maintenance Fund;

(C) Paying the cost of extending, enlarging or improving any of the Projects;

(D) Paying the principal of and interest on the Bonds or calling, redeeming and paying prior to the maturity thereof, or, at the option of the Agency, purchasing in the open market at the best price obtainable not exceeding the redemption price (if any bonds are callable) any outstanding Bonds including principal, interest and redemption premium, if any;

(E) Any other lawful purpose in connection with the operation of any of the Projects and benefiting any of the Projects.

(b) In the event that 30 days prior to the payment date of any principal or interest on Bonds, amounts in the Debt Service Fund are insufficient to fully pay the principal of or interest on all outstanding Bonds, the City shall loan to the Agency the full amount of any such deficiency not later than such date of payment. Such loan shall bear interest at a rate equal to the rate received by the City on its investment pool

(computed on the basis of a 360-day year consisting of twelve 30-day months) from the date such amounts are loaned to the Agency until all such amounts are repaid by the Agency. Any such loan, together with interest accrued thereon as provided herein, shall be repaid to the City (i) first, from the first receipts of Revenues, and (ii) second, from taxes levied and collected by the Agency pursuant to the Facilities Agreement.

Transfer of Funds to Paying Agent

The Treasurer of the Agency is hereby authorized and directed to withdraw from the Debt Service Fund sums sufficient to pay the principal of and interest on the Bonds as and when the same become due on any principal or interest payment date, and to forward such sums to the respective paying agents for each series of Bonds in a manner which ensures such paying agent will have available funds in such amounts on or before the business day immediately preceding each such payment date. All money deposited with any paying agent shall be deemed to be deposited in accordance with and subject to all of the provisions contained in the Facilities Agreement and the applicable Resolution.

Annual Budget; Levy of Taxes

Prior to the commencement of each fiscal year, the Agency will cause to be prepared and filed with its Secretary and the Clerk a budget setting forth the estimated receipts and expenditures for each month in the next succeeding fiscal year. Such annual budget shall be prepared in accordance with the requirements of the laws of Nebraska and shall contain all information that is required by such laws.

The Treasurer shall, not later than the last day of each month, prepare, file with the Secretary and the City Clerk, and forward to each member of the governing body, a financial report which includes the financial statements for the preceding month and the results for the fiscal year through the end of the preceding month. If, at the end of any fiscal quarter, such financial statements show that the budgeted Available Revenues would exceed the projected actual Available Revenues at the end of the fiscal year by more than \$500,000, the Agency covenants and agrees that within 60 days of such determination it will deliver a Consultant's Report to the Participants setting forth recommendations for increasing the Available Revenues to the budgeted levels; provided, however, that in the event that such Consultant's Report shall state that federal, state or other applicable governmental laws or regulations (or interpretations thereof) placing restrictions and limitations on the rates, fees and charges to be fixed, charged and collected for the use of or the services furnished by the Arena Project do not permit or by their application make it impracticable for the Agency to produce the required Available Revenues, then the budgeted Available Revenues shall be reduced to the highest practicable level permitted, as set forth in such Consultant's Report, by such laws and regulations then in effect. The Agency agrees that it will, to the extent feasible, follow the recommendations of the Consultant's Report.

The Agency covenants and agrees that for so long as any Bonds are outstanding under the Resolution pursuant to which such Bonds were issued, it will deliver to the Participants a Consultant's Report regarding the operation, maintenance and financial performance of the Arena Project for the fiscal years ending August 31, 2017, and every fifth fiscal year thereafter.

In the event that the budgeted Available Revenues for the fiscal year exceeds the projected actual Available Revenues for such fiscal year by \$1,000,000 or more, the Agency covenants and agrees that it shall in its next annual budget prepared pursuant to the Facilities Agreement, include an amount to be levied upon all of the taxable property within the City sufficient in rate and amount to produce the amounts necessary to make up such deficiency in the actual Available Revenues, together with any anticipated additional deficiency in the actual Available Revenues through the end of the next fiscal year.

The taxes referred to above shall be extended upon the tax rolls in each of the several years, respectively, and shall be levied and collected at the same time and in the same manner as the other ad valorem taxes of the Agency or the City are levied and collected. The proceeds derived from such taxes shall be used to repay any and all amounts advanced by the City pursuant to its obligation under the Facilities Agreement to loan to the Agency the full amount of any deficiency in the Debt Service Fund, shall be kept separate and apart from all other funds of the Agency and shall be used solely for the payment of amounts advanced by the City.

Annual Financial Audit

Annually, promptly after the end of the fiscal year, the Agency will cause a financial audit to be made of the Arena Project for the preceding fiscal year by a nationally recognized independent certified public accountant or firm of nationally recognized independent certified public accountants to be employed for that purpose and paid from the Revenues.

Within 30 days after the completion of each such audit, a copy thereof shall be filed in the office of the Secretary, and a duplicate copy of the audit shall be mailed to the City Clerk. Such audits shall at all times during the usual business hours be open to the examination and inspection by any taxpayer, the registered owner of any of the Bonds, or by anyone acting for or on behalf of such taxpayer or registered owner.

As soon as possible after the completion of the annual audit, the governing body of the Agency shall review such audit, and if the audit discloses that proper provision has not been made for all of the requirements of the Facilities Agreement or any Resolution, the Agency will promptly cure such deficiency and the City and the Agency will promptly proceed to take such action as may be necessary to adequately provide for such requirements.

Term of Agreement

The Facilities Agreement shall not terminate so long as Bonds remain outstanding under the terms of the Resolution authorizing their issuance. Either the City or the Agency may terminate the Facilities Agreement at any time after all of Bonds are no longer outstanding under the terms of the Resolution authorizing their issuance.

Amendment

The Facilities Agreement may be amended in writing upon the approval of both parties.

BOND RESOLUTION

Security for and Payment of Bonds

The Bonds shall be general obligations of the Agency payable as to both principal and interest from the General Account in the Revenue Fund, and to the extent such revenues are insufficient, from ad valorem taxes which may be levied upon all the taxable property in the City as provided in the following paragraph. The full faith, credit and resources of the Agency are irrevocably pledged for the prompt payment of the principal of and interest on the Bonds as the same become due.

Pursuant to the JPA Agreement, the City has assigned and allocated to the Agency its authority to levy ad valorem property taxes for the purposes of paying the principal or redemption price of and interest on

the Bonds. Pursuant to the Facilities Agreement, the Agency shall (a) collect all Revenues and (b) if an Agency Bond Levy is to be made for the following tax year, include in its next “proposed budget statement” (as defined in Section 13-504 of the Budget Act) the amount required by the Facilities Agreement to be raised from the Agency Bond Levy for the following tax year and shall levy upon all of the taxable property within the City the Agency Bond Levy, in addition to all other taxes, sufficient in rate and amount to reimburse the City all amounts advanced by the City pursuant to the Facilities Agreement, the Agency hereby pledging such levy of taxes for such purpose.

The taxes referred to above shall be budgeted by the Agency in each of the several years, respectively, and shall be levied and collected at the same time and in the same manner as ad valorem taxes of the City are levied and collected. The proceeds derived from such taxes shall be used to reimburse the City for any loan to the Agency by the City under the Facilities Agreement.

Establishment of Funds; Deposit and Application of Money

The Resolution establishes a 2013 Construction Account in the Construction Fund created in the Facilities Agreement; a 2013 Debt Service Account; and the Rebate Fund.

The net proceeds received from the sale of the Bonds shall be deposited simultaneously with the delivery of the Bonds as follows:

(a) All accrued interest received from the sale of the Bonds shall be deposited in the 2013 Debt Service Account.

(b) Proceeds of the Bonds shall be deposited into such accounts or subaccounts as may be established by the Finance Director under the Resolution in the amounts determined by the Finance Director.

(c) The proceeds of the Bonds which remain after the deposits required by the paragraphs described above have been made shall be deposited in the 2013 Construction Account.

The Revenues shall be deposited, held and applied as provided in the Facilities Agreement.

Money in the 2013 Construction Account shall be used by the Agency solely for the purpose of (1) paying all or a portion of the costs of one or more Projects in accordance with the plans and specifications therefor prepared by the Agency’s architects approved by the City and the Agency and on file in the office of the Secretary, including any alterations in or amendments to such plans and specifications deemed advisable by the Agency’s architects and approved by the City and the Agency and (2) paying the costs and expenses of issuing the Bonds.

The Treasurer shall make a withdrawal from the 2013 Construction Account only upon a duly authorized and executed order of the Agency accompanied by a certificate executed by the Agency’s architects stating that such payment is being made for a purpose within the scope of the Resolution and that the amount of such payment represents only the contract price of the property, equipment, labor, materials or service being paid for or, if such payment is not being made pursuant to an express contract, that such payment is not in excess of the reasonable value thereof. Nothing in the Resolution shall prevent the payment out of the 2013 Construction Account or another subaccount in the 2013 Construction Account of all costs and expenses incident to the issuance of the Bonds without a certificate from the Agency’s architects.

On the date on which the construction of all of the Projects all or a portion of the costs of which have been paid from the proceeds of the Bonds has been completed (the “**Completion Date**”) as certified by the

Agency's architects, any surplus remaining in any fund or account in the 2013 Construction Account shall be transferred to and deposited in the 2013 Debt Service Account in the Debt Service Fund.

The Agency shall make deposits into the 2013 Debt Service Account in the Debt Service Fund as provided in the Facilities Agreement.

Any money or investments remaining in the Debt Service Fund after the retirement of the indebtedness for which the Bonds were issued and all other indebtedness of the Agency shall be transferred and paid to the City.

All money at any time deposited in the Rebate Fund shall be held in trust, to the extent required to satisfy the requirements of the Code, for payment to the United States of America, and neither the Agency nor the Registered Owner of any Bonds shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this and the Tax Agreement. Any money remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Amount, or provision made therefor, shall be released to the Agency.

Miscellaneous Provisions

The Agency's obligations under the Resolution as to any Bond shall be discharged if such Bond has been paid or if there has been deposited with the Paying Agent, or other commercial bank or trust company having full trust powers, at or prior to the Stated Maturity or Redemption Date of such Bonds, in trust for and irrevocably appropriated thereto, money and/or Defeasance Obligations which, together with the interest to be earned on any such Defeasance Obligations, will be sufficient for the payment of the principal of such Bonds and/or interest accrued to the Stated Maturity or Redemption Date, or if default in such payment has occurred on such date, then to the date of the tender of such payments, provided, however, that if any such Bonds are to be redeemed prior to their Stated Maturity, (a) the Agency has elected to redeem such Bonds, and (b) either notice of such redemption has been given, or the Agency has given irrevocable instructions, or shall have provided for an escrow agent to give irrevocable instructions, to the Paying Agent to give such notice of redemption.

The Resolution provides that it may be amended by the Agency without the consent of any Registered Owners for the purpose of curing any formal defect, omission, inconsistency or ambiguity therein or in connection with any other change therein which is not materially adverse to the interests of the Registered Owners. It may also be amended in any respect by the Registered Owners of a majority in aggregate principal amount of the Bonds then Outstanding, except that amendments as to extension of maturity of principal or interest, reductions in the amount of principal or interest which the Agency is required to pay, permitting preference or priority of any Bond over any other Bond, or reducing the percentage in principal amount of Bonds required to consent to modification of the Resolution must be approved by the Registered Owners of all Bonds then Outstanding.

In the event that any provisions of the Resolution are inconsistent with the Facilities Agreement, the provisions of the Facilities Agreement shall govern.

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

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_____, 2013

West Haymarket Joint Public Agency
Lincoln, Nebraska

Wells Fargo Bank, National Association
[Underwriter address]

Re: \$28,175,000 Lincoln, Nebraska West Haymarket Joint Public Agency General Obligation
Facility Bonds, Series 2013

Ladies and Gentlemen:

We have acted as bond counsel to the West Haymarket Joint Public Agency (the “Agency”) in connection with the issuance of the above-captioned bonds (the “Bonds”). In this capacity, we have examined the law and the certified proceedings, certifications and other documents as we deem necessary to render this opinion.

The Bonds are issued pursuant to the provisions of: (a) the Nebraska Joint Public Agency Act (Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended, the “Act”), (b) the Joint Public Agency Agreement Creating the West Haymarket Joint Public Agency, dated as of April 1, 2010, as amended and restated by the Amended and Restated Joint Public Agency Agreement of the West Haymarket Joint Public Agency, dated January 10, 2011 (collectively, the “JPA Agreement”), between The City of Lincoln, Nebraska (the “City”) and The Board of Regents of the University of Nebraska (the “Regents”), (c) the Bond Resolution, adopted March 22, 2013, as amended on November 14, 2013 (together, the “Resolution”), by the Agency and (d) the Facilities Agreement, dated September 8, 2010 (as amended and supplemented from time to time, the “Facilities Agreement”), between the City and the Agency. Capitalized terms used and not otherwise defined in this opinion have the meanings assigned in the Resolution and the Facilities Agreement.

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

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

1. The Agency is duly created and validly existing under the Act as a joint public agency and a political subdivision of the State of Nebraska (the “State”) with the corporate power to adopt the Resolution

and execute and deliver the Facilities Agreement, perform the agreements on its part contained therein, and issue the Bonds.

2. The Resolution has been duly adopted by the Agency and the Facilities Agreement has been duly authorized, executed and delivered by the Agency and each constitutes a valid and legally binding obligation of the Agency enforceable upon the Agency to the extent permitted by law.

3. The Bonds have been duly authorized, executed, and delivered by the Agency and are valid and binding obligations of the Agency payable from the sources provided therefor in the Resolution and the Facilities Agreement, including, but not limited to, the proceeds of taxes levied by the Agency pursuant to the provisions of the Act and the JPA Agreement.

4. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) (a) is excludable from gross income for federal income tax purposes, (b) is exempt from income taxation by the State of Nebraska, and (c) is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations and is not taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in this paragraph are subject to the condition that the Agency and the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Agency and the City have covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Bonds have not been designated as “qualified tax-exempt obligations” for purposes of Section 265(b) of the Code.

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

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

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

Very truly yours,

APPENDIX F

BOOK-ENTRY SYSTEM

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BOOK-ENTRY SYSTEM

General. The Bonds are available in book-entry only form. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds. Ownership interests in the Bonds will be available to purchasers only through a book-entry system (the “**Book-Entry System**”) maintained by The Depository Trust Company (“**DTC**”), New York, New York.

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

DTC will act as securities depository for the Bonds. The Bonds 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 Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of that maturity, and will be deposited with DTC.

DTC and its Participants. 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 highest rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Ownership Interests. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“**Beneficial Owner**”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Notices. 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Voting. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of Principal, Redemption Price and Interest. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Agency or the Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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 Registrar or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Discontinuation of Book-Entry System. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Agency or the Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed, registered in the name of

DTC's partnership nominee, Cede & Co. (or such other name as may be requested by an authorized representative of DTC), and delivered to DTC (or a successor securities depository), to be held by it as securities depository for Direct Participants. If, however, the system of book-entry-only transfers has been discontinued and a Direct Participant has elected to withdraw its Bonds from DTC (or such successor securities depository), Bond certificates may be delivered to Beneficial Owners in the manner described in the Resolution.